

# Completed Operations Liability and Obligations

Even quality workmanship is not immune to potential claims of property damage or bodily injury. All operations carry the risk that injury or damage may occur as a result of the work, leading to costly lawsuits. Considering the complicated mix of contractors and subcontractors that contributes to each project, who is liable for this risk?

## Defining Responsibility

In insurance terms, “your work” as used in an insurance policy is a broadly defined term that includes operations performed by the policyholder or on the policyholder’s behalf, including material, parts or equipment in connection with the operations. Operations or work performed on behalf of the policyholder means work done by a subcontractor is considered the contractor’s work. Therefore, faulty electrical work performed by an electrician that causes a fire or other damage could be considered the contractor’s liability, but would be covered under a standard commercial general liability (CGL) policy.

## Contract Requirements

Because a contractor or other involved party could be held liable for defects in a subcontractor’s work years after it has been completed, and filing the claim under the contractor’s CGL policy could cause the premium to rise, many construction contracts require subcontractors to provide insurance coverage for claims resulting from their completed work for a finite period of time, typically the one- to five-year range. Typical contracts also require that the subcontractor name the owner, the architect, the general contractor and other third parties as “additional insured” parties, entitled to coverage under the insured subcontractor’s CGL policy. Naming additional insured parties requires a separate endorsement to that policy.

## Contract Implications

This means that as a subcontractor, you can be held liable for claims of property damage or bodily injury resulting from a defect in your work. It is also critical to maintain this coverage into the future; failure to do so could lead to a breach-of-contract lawsuit brought by the contractor or other party.

It is important to understand this commitment when signing the contract—the insurance commitment doesn’t end with the project. Furthermore, in the event of a large claim, the subcontractor could be faced with a substantial increase in premiums on the policy.

## Reducing Risk

To avoid litigation, it is crucial to know local regulations and adequately document proper performance. Know your company’s documentation practices relative to each subcontract, and carefully keep records of all processes.

## Respecting the Contract

It is crucial for subcontractors to respect this requirement if included in the contract. Failure to do so could result in breach-of-contract lawsuits. Naming additional insured parties can be complicated, and it is very important to work closely with Nottingham Insurance to ensure that your contractual obligations are satisfied.