

CGL Policies: The Preferred Choice for Comprehensive Coverage for Construction Project Owners

When it comes to managing risk in construction projects, one of the most common types of insurance policies is the Commercial General Liability (CGL) policy. CGL policies are a foundational element of risk management for businesses. They provide broad protection against a range of liabilities, making them a reliable and common choice for owners and contractors alike.

However, CGL policies are often compared to the more limited Owners and Contractors Protective Liability (OCP) policies, which can leave significant gaps in coverage. The flexibility and comprehensive coverage of a CGL policy make it the preferred choice for the protection of the unique interests owners have when it comes to construction projects.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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The top 4 benefits of CGL policies

CGL policies offer robust and comprehensive coverage, protecting businesses from a wide array of risks. Some key benefits include:



Coverage for owner negligence

Unlike OCP policies, a CGL policy protects the owner from claims resulting from their own negligence, providing a vital safeguard in complex construction projects. Owners are often involved in oversight and decision-making, which can open them up to direct liability if something goes wrong. CGL coverage helps to ensure that they are not left exposed.



Protection for vicarious liability from all contractors

For construction project related risks, CGL policies are designed to cover the insured's vicarious liability for the work of any contractors involved in a project, as opposed to an OCP, which only provides coverage for liability caused by a specific contractor. This is a critical distinction, as construction sites are busy environments with multiple parties involved.



Personal and advertising injury coverage

CGL policies go beyond basic bodily injury and property damage. They also offer personal and advertising injury coverage, which can protect against claims like defamation, libel or advertising infringement. This broader scope of coverage ensures that businesses are protected from a wide range of risks that may arise from their operations.



Extended completed operations coverage

A CGL policy can be enhanced to include extended completed operations coverage, which protects the insured from liabilities that may happen after a project has been completed. Construction defects or issues can emerge long after the work is done, and having this extended coverage ensures that the business is protected from future claims.



Why CGL policies are the better option

Given these differences, CGL policies clearly offer more extensive and valuable coverage than OCP policies. Insured parties are better protected under a CGL policy, which addresses the risks associated with their own negligence and covers the insured's vicarious liability for all contractors on the job. It also includes coverage for personal and advertising injuries and can provide vital extended coverage for completed operations.

While an OCP policy may initially seem appealing as a quick and cost-effective option, it often leaves gaps that can be financially devastating in the event of a claim. Insureds can be at risk for a variety of claims with an OCP policy like a third-party injury claim if there are visitors to the job site or even an ongoing operations claim if an issue arises during ongoing work after the project's initial scope. A better strategy is to have the owner purchase a GCL policy to cover their own interests, often referred to as "Owner's Interest" coverage. This ensures broader protection without the limitations inherent in OCP policies.

Guiding clients to the best protection

As insurance professionals, it's our responsibility to educate clients on the differences between these policies. CGL policies offer much more comprehensive protection, making them the preferred choice in most scenarios. When guiding clients, it's important to highlight why CGL policies provide better coverage.

While OCP policies may still be in use, their limitations make them a less attractive option for businesses looking for comprehensive coverage. CGL policies, with their broad protection and ability to cover a wide range of risks, are the smarter choice for most insureds. Understanding these differences can help businesses make informed decisions and avoid the pitfalls of underinsurance.

Takeaway

The construction landscape is continually evolving, marked by advancements in technology and innovative construction methods. In this space, a proactive approach is necessary. As the construction industry evolves, so too does the environment for controlled insurance programs.

Whether your client is an owner/developer, residential or commercial general contractor, specialty trade contractor or has another role in construction projects, Amwins has the coverage solutions to protect against unforeseen losses.

Amwins construction brokers are experts in the space and can help you guide your clients toward their best coverage options.

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