



Roofer's Choice Insurance Case Studies

Are you exposed to an unfavorable Worker's Compensation audit?

Our agency was contacted by a prospective client seeking counsel on an unfavorable Worker's Compensation audit, which resulted in an additional premium owed of \$316,397. For scale of size, this particular client's gross revenues were \$2 million with all labor subcontracted. For the policy period, the audit found \$772,279 in payroll for the classification code 5551 "Roofing – All Kinds" and \$30,200 in payroll for the classification code 8742 "Salesman Collectors or Messengers". The audited premium due for the roofing payroll was \$318,951 and \$211 for the salesman classification. For a roofing contractor that subs out all labor this amount was extremely excessive. Upon further investigation, the resulting premium was charged because of missing paperwork and improper coding. If the client had obtained valid certificates of insurance from his subcontractors, properly documented the job duties of his subcontractors, and entered into subcontracts with each of his subcontractors, the amount of additional premium owed for the policy period would have been drastically lower. Proper guidance is a must to avoid an unfavorable audit, so make sure your business is with an agency that is equipped to handle the roofing trade.

Subcontractor Warranty Endorsements

Subcontractor Warranty Endorsements are a way to protect insurance companies from paying claims when there is no risk transfer. Risk transfer is a risk management strategy requiring a number of controls to be met in order to minimize loss on a claim. For example, if you are a general contractor subcontracting all labor you must meet the following controls to have risk transfer: (i) obtain and maintain (sometimes for up to ten years) certificates of insurance naming your company as an additional insured with like liability limits, (ii) have an executed subcontractor agreement with hold harmless wording, and (iii) the hired subcontractor must be insured adequately. If these controls are not met, many insurance policies will exclude coverage. Our agency was contacted by a prospective client who had coverage denied on an open roof claim in the state of Texas. Pop up thunderstorms are inevitable in the state of Texas and can occur without warning. This contractor had taken off a portion of a roof when a pop up thunderstorm struck. Tarps were unable to be put on due to high winds and the interior of the home was severely damaged (\$450,000 worth of damage). In their particular situation, they did not obtain certificates of insurance or have the proper subcontractor agreement in place with hold harmless wording, so the claim was ultimately denied. Make sure your current General Liability policy does not include this restrictive endorsement.

CG2294 – Damage to Work Performed by Subcontractors on your Behalf

A common mistake insurance agencies make when quoting roofing contractors is forgetting to ask if all labor is self-performed or subcontracted out. The endorsement CG2294 is often included on insurance policies for self-performing roofing contractors. When this endorsement is included on a General Liability policy, insurance will not apply to any property damage claim when the labor is subcontracted. For example, a roofing contractor subcontracted a residential reroof job. During the job, a nail was driven into a dishwasher pipe directly underneath the decking of the roof. After the job was finished, the family went on a weekend vacation and returned to their kitchen flooded. Although the dishwasher pipe was not run to code, the roofing contractor was found responsible for the \$85,000 worth of damage in the homeowner's kitchen and was left with no other choice, but to file the claim with their General Liability carrier. Within 10 days a letter was received that coverage was denied due to the CG 2294 – Damage to Work Performed by Subcontractors on your Behalf endorsement. Make sure your current General Liability policy does not include this endorsement.

Action Over

Injuries to roofing contractors are at an all-time high and exposure to a worksite injury grows as your company grows. Is it possible to be responsible for a worksite injury to a subcontractor or a subcontractor's employees? The answer is yes. Our agency constantly emphasizes the importance of not having an action over or bodily injury to subcontractor's exclusion on your general liability policy. For example, our client working in the state of Montana received a service of suit from injuries sustained to a subcontractor from falling off of a ladder and suffering a severe leg injury. The leg injury prevented the subcontractor from being able to return to work for quite some time. Luckily for our client, we made sure that action over was not excluded on our General Liability policy. The claim was filed and eventually settled for a total of \$328,250 (\$250,000 for Bodily Injury and \$78,250 for legal fees). These types of claims are becoming more and more prevalent. Make sure that you do not have Action Over or Bodily Injury excluded on your current general liability policy.

Growth by Compliance – It Pays to do Things Right

Larger jobs have a rigorous set of insurance requirements to bid and ultimately earn the contract on the job. Having an insurance agency with access to all markets and lines of business is critical to earning these jobs. We gained a client in 2016 that previously averaged \$500,000 in gross revenues before joining our agency. Three months into a General Liability policy with our agency we were informed that a very large job was up for grabs. In reviewing the insurance requirements, the job required an experience modifier on worker's compensation, a letter of bondability, an excess policy, a General Liability policy, Hired and Non-Owned Automobile Liability, and Worker's Compensation. Our agency was able to provide all of these requirements for our insured. Since our client was able to provide all requirements he was awarded the contract with the amount of \$1,000,000, doubling their previous year's sales with one contract.



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