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Introducing **Contractor's E&O**

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Today's session will **cover:**

- The **construction industry:** An overview
- Emerging **risks** in construction
- What is **Contractor's E&O?**
- Key coverages
- Appetite & pricing
- **Claims** examples
- **Deconstruction** of contractor's E&O
- FAQs + Q&A

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What % of Canadian construction companies have **less** than **100 employees?**

The **construction industry:** An overview

Construction is a key driver of Canada's economy. The industry employs over 1.6 million people and generated $253 billion in 2023

- 98.9% have less than 100 employees
- One of the biggest employment sectors in the country
- Lots of new buyers every year and lots of cross sale opportunities are still available

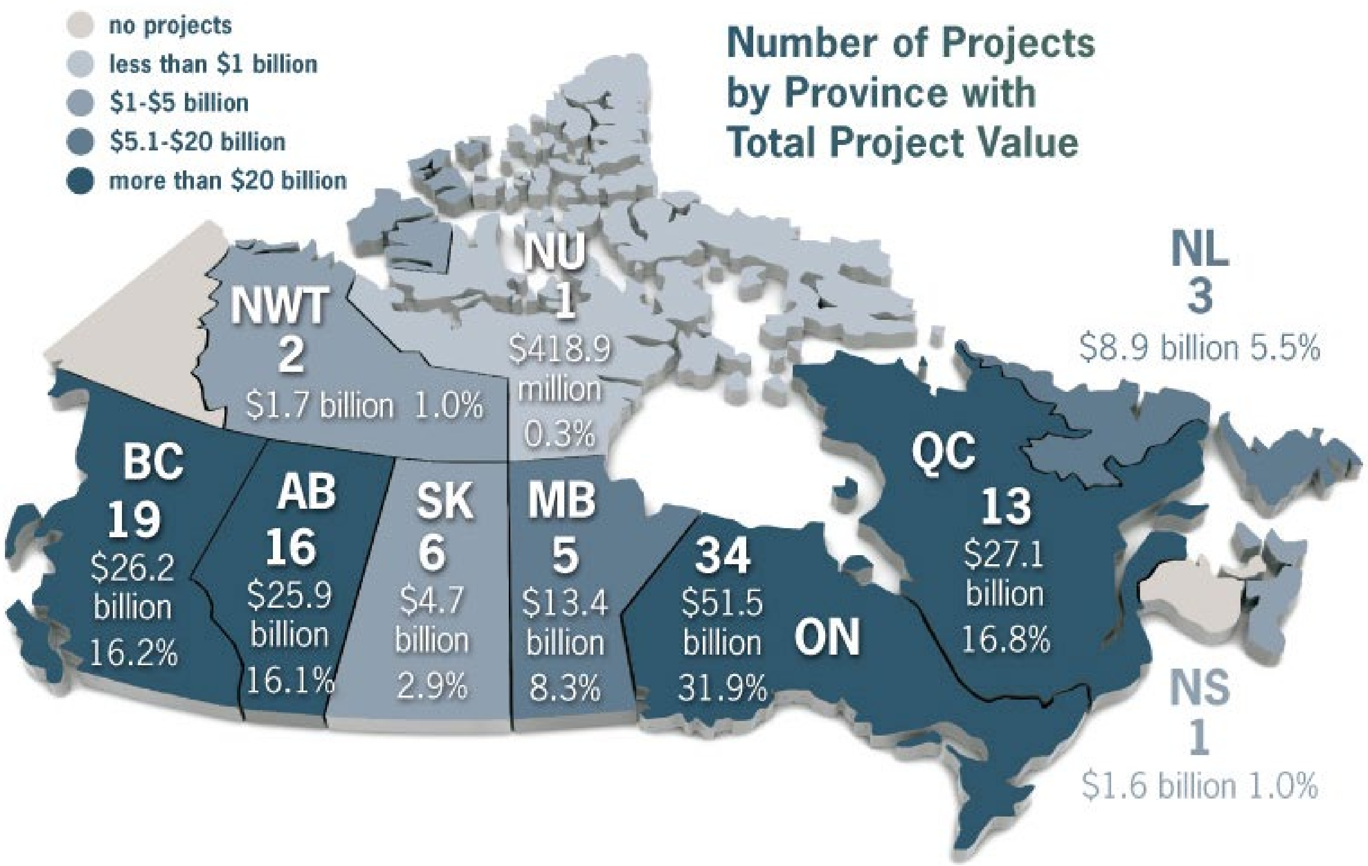
Forecast to reach over **$400 billion** by 2030

- The construction industry makes up 7-8%% of Canada's GDP!
- Growth target of 8% YoY

Infrastructure investment & bigger projects

- Annual mega project spending is expected to increase over the next five years. An additional $171bn in large projects are expected to commence in 2025
- Growth driven in all provinces by mega projects. Smaller projects, including residential sector is seeing slowed growth.

The rise of the ‘Mega Project’



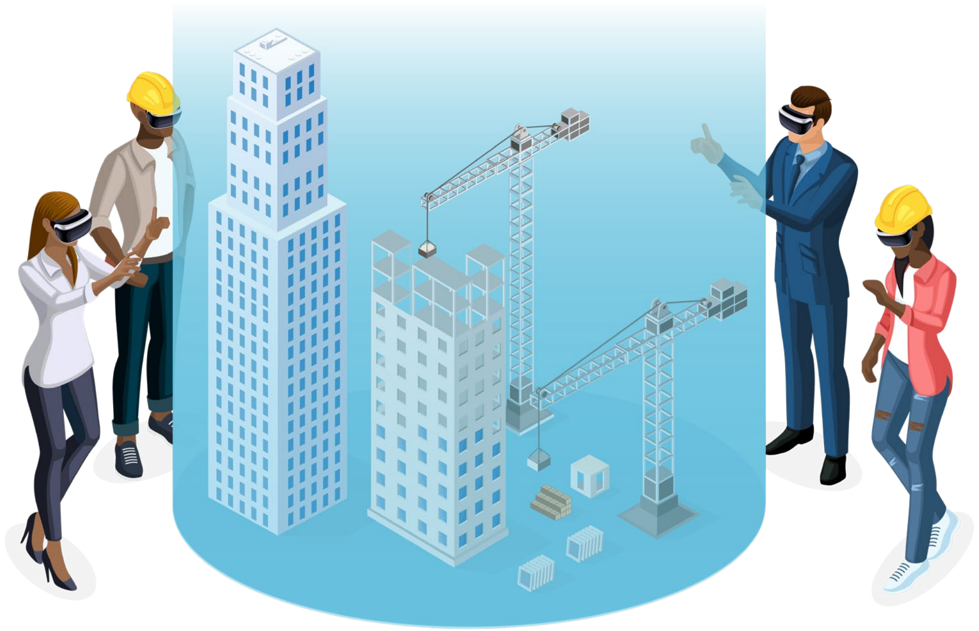
Source: https://www.renewcanada.net/insights-into-canadas-top100-projects/

Emerging risks in construction

The construction industry is in the midst of a technological boom, advancing deliveries and addressing some of the industries' challenges, does it also increase professional and cyber exposure?

A few examples:

- Software platforms
- AI design
- Modelling and virtual reality
- IoT in construction
- Jobsite imagery
- Drones
- Wearable tech
- 3D printing



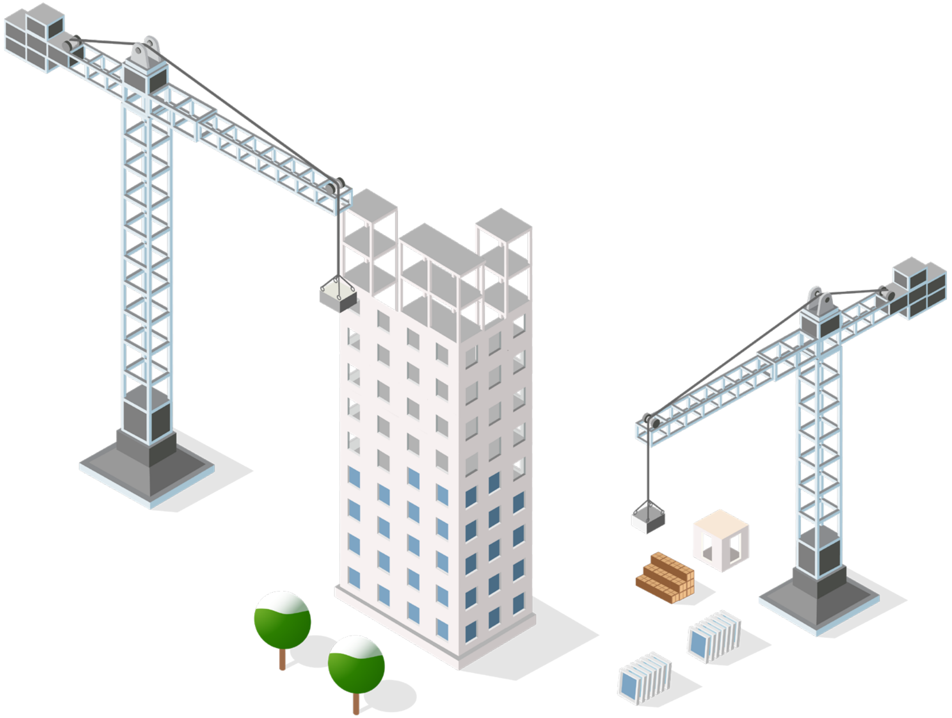
What is **Contractor’s E&O?**

Cover designed to protect contractors from claims alleging negligence, faulty advice, acts, errors & omissions. Will cover the costs associated with defending and settling claims including damages, settlements and legal costs.

Why do contractors **need E&O?**

Contractors undertake manual services with no design services so what is the concern?

- CCDC: Regulatory requirements
- Increasingly harder to negotiate out of contracts
- Municipalities and provinces requiring E&O for all onsite
- Canada follows the insurance trends of the US and UK
- Scattergun approach to claims
- Duty to Warn
- Incidental professional services ie. inspections / advice etc.
- Financial loss to clients
- Gap in CGL coverage



What does Contractor's E&O **cover?**

Pricing is based on gross revenue, with notional fees tied to the contractor's role - ensuring relevant, affordable cover

- Inadequate project planning
- Failure to address sustainability
- Incorrect installation
- Design flaws
- Failure to meet deadlines
- Coordination errors
- Inaccurate or misleading advice
- Misinterpretation of building codes and regulations
- Failure to obtain permits or approvals
- Inadequate management of subcontractors
- Negligent quality control
- Improper handling of change orders
- Miscommunication with clients or stakeholders
- Incomplete or inaccurate documentation or reporting
- Material or equipment selection errors

Insuring **clauses**

Provides comprehensive cover to general contractors and artisan contractors all on one form

Insuring clause 1: Professional liability

a) Errors and omissions
b) Subcontractors' vicarious liability
c) Contingent bodily injury and property damage
d) Intellectual property
e) Regulatory costs and fines
f) Dishonesty of employees
g) Payment of withheld fees

Insuring **clauses**

Provides comprehensive cover to general contractors and artisan contractors all on one form

Insuring clause 2: Pollution

- Contractors Pollution limit

Insuring clause 5: Rectification Costs

- Rectification costs replacing loss mitigation.

Insuring clause 3 & 4: Cyber & cybercrime

- A full cyber package!

Endorsements

- Faulty workmanship

Appetite

What we love: Artisan contractors and General contractors- Any contractor with incidental professional exposure such as design, advice, project management, inspections and testing.

- Plumber
- Electrician
- Solar panel contractor
- WETT inspector

Appetite

What we decline:

- Glazing / window installation
- Real estate developers
- Roofing contractor
- Swimming pool contractors

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Our new **pricing**

$500

$1M E&O for an artisan contractor

+AP for

$1M Workmanship

+$250k Limit

Pollution (aggregated) for relevant classes

$1,500

$1M E&O limit for a general contractor

Rates reviewed

For competitiveness across all classes

APs included

For supplemental coverages

Frequently asked **questions**

Did you know

We can quote electrical power contractors including EV Chargers!

Can you cover a full-service design-and-build firm specializing in residential homes?

Do you offer project-specific E&O?

Can you consider a project manager on contractor’s E&O?

Can you quote CGL and property?

Frequently asked **questions?**

Did you know

That we can consider a tent installation contractor for Stampede under a contractor's E&O policy?

Are you releasing a French version of contractor's E&O?

When will the contractor's E&O product be ready to quote?

Who is the contact for contractor's E&O accounts?

Claims examples

What claims have we seen in this space?

General contractor:

The claim

- A general contractor was working on a restaurant project. There was a leak behind the tiles in the restrooms causing them to become loose.
- The client claimed inadequate supervision of the subcontractor undertaking the plumbing as it deviated from the engineer's design.
- The plumbing contractor was held responsible for the proximate loss.

The resolution

- However, the insured was also deemed negligent in project managing the job and required to contribute to the claim.
- The claim related to the insured's professional services and would not have been covered by a CGL policy.

Claims examples

What claims have we seen in this space?

Artisan contractor with workmanship cover

The claim

Electrical contractor was installing a new electrical panel. They crossed the wires and caused a fire.

- A general liability (CGL) policy only covers third-party property damage caused by the fire but would not cover the cost of replacing the wiring or the panel that were destroyed.
- The CGL policy contained exclusions for "your work" and "your product".

The resolution

- The total value of the claim was $100,000. The CGL carrier only paid out $80,000 for the third-party property damage.
- There was an outstanding amount of $20,000 to replace the wiring and panel the contractor had installed.

The workmanship extension is vital in covering that gap in the CGL policy

Deconstructing contractor's E&O

Available **now**

If a contractor's E&O policy was a house, what would it include?

- **Foundations**: Errors and omissions
- **Walls:** Bodily injury and property damage
- **Electrics:** Workmanship
- **Insulation:** Sub-contractor vicarious liability
- **Paintwork:** Regulatory costs and fines
- **Chimney:** Pollution liability
- **Furnishings:** Intellectual property rights infringement
- **Roof:** Rectification costs cover

Check out cfc.com/resources to find more

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Are you interested in **learning more** about any of these products?

Q&A

Thank you!

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