**Q. Is there any value to being an additional insured on my subcontractor’s policies?**

A. The Business Risk Exclusion is a limitation on an insured’s coverage under most Commercial General Liability–or CGL–policies. Insurers use the exclusion to avoid covering damage to a contractor or subcontractor’s own work. While the insurer will cover Property Damage or Bodily Injury “arising out of” the insured’s work, the insurer uses this exclusion to deny coverage.

Usually, this exclusion can be found in the policy under a heading saying “Your Work.” Essentially, the policy covers property damage caused by defective work by the contractor, *but the insurer is not* *required* to insure the contractor’s work itself. The rationale behind this exclusion is that the insurer is not guaranteeing the insured contractor’s work, but is instead just protecting the contractor from liability for damage that work may cause. Insurers refer to the work performed by their insureds as the insureds’ “scope of work.”

Take, for example, poorly-installed roofing on a new home which has allowed water intrusions and caused water damage to the wood flooring inside the home. The roofing subcontractor would be liable for both the repairs to the roof *and* the repairs necessary to correct the wood flooring. When the subcontractor submits a claim to its insurer, the insurer will be required to cover the water damage inside the home, but will deny coverage of the roof repairs, because the roofing installation was within the subcontractor’s scope of work.

Most general contractors include a requirement in their trade agreements that the subcontractor list the general contractor as an “additional insured” on the subcontractor’s policy. By doing so, the insurer now covers both the subcontractor and the general contractor, but that coverage is still limited to bodily injury and property damage from the subcontractor’s work.

The question then becomes: whose scope of work is excluded by the Business Risk Exclusion when the general contractor seeks coverage as an additional insured under the subcontractor’s policy? The answer varies from state to state, and Georgia courts have taken a very expansive view of the exclusion. In a 2015 case, the Court of Appeals found that damage to any of the general contractor’s work was excluded when the general contractor sought coverage under its subcontractor’s policy. Looking at the above example, even though the policy covers damage caused by the roofing subcontractor’s work, the general contractor’s work is excluded, because the whole house is arguably within the general contractor’s scope of work.

Therefore, it is important that general contractors also include in their trade agreements a requirement that the subcontractor indemnify the general contractor–essentially saying that the subcontractor will accept responsibility–in the event the subcontractor’s work has created liability for the general contractor. That way, in the event the general contractor finds itself liable for a subcontractor’s work, the subcontractor will have to submit the claim, and the insurer will be required to cover damage to all the general contractor’s work not performed by the subcontractor.