Think You’re Protected by Federal Government Contractor Immunities? Think Again.

Federal Government Contractors – When Immunity Is Not Enough

Whether you are new to the Federal Government Contractor (FGC) space or have been in it for years, you need to strike the right kind of balance between competitive market dynamics and exposure to risk. While the unique liability immunities available to Federal Government Contractors may be a key component of your overall risk management plan, consider these scenarios:

Third-Party Bodily Injury – Product Liability

The Government Contractors Defense (GCD) is a statutory form of immunity, typically for third-party liability claims, available to Federal Government Contractors. While it is certainly protection, it is not an automatic shield from liability. Further, because the GCD is a legal defense, it does not provide relief from legal expenses incurred in defending a claim for damages.

Consider this:
Under the GCD, your company may be relieved of liability by a court; however, all costs to defend the suit will be your responsibility.

Financial Injury – Service Failure

Again, the Government Contractors Defense is not an automatic shield from liability. Keep in mind that the GCD rarely applies to disputes between business partners.

Consider this:
Litigation ensues between a prime contractor and subcontractor for financial injury related to the failure of the subcontractor’s service as part of a contract with the federal government. Business partner litigation due to reasons of delay or simple performance failure does not qualify for GCD immunity.

Foreign Sales and Non-Federal Government Sales

Many Federal Government Contractors derive revenue from other sources as well. Some FGCs will have a division dedicated to the government space, while other divisions within the same company serve the commercial world.

Consider this:
Except in certain specific instances related to Safety Act-Certified products/services, the Government Contractors Defense or other immunities may not apply to foreign sales and non-federal government sales.

Each of these scenarios would have been protected if the proper insurance had been in place.

Protecting Your Business

General Liability, Product Liability, and Errors & Omissions insurance are several insurance products that should be included in a Federal Government Contractor’s risk management plan. A well-structured insurance program offers protection when immunities may fail and acts as a source of legal defense dollars, thereby offering an additional layer of balance sheet protection.

Work with an insurance carrier that can construct insurance policies that reflect the exposures that come with your federal government contracts. Chubb has the experience, products, and expertise to help your company better protect itself in the complicated world of federal government contracts and immunities.