



1 nonconforming before the date the subcontractor or  
2 sub-subcontractor commences work or the materialman delivers  
3 material.

4 (2)(a) If the general contractor or subcontractor does  
5 not reject the policy or certificate in writing and state the  
6 specific reasons for the rejection within 3 business days  
7 after receiving the policy or certificate, the general  
8 contractor or subcontractor shall be deemed to have accepted  
9 the policy or certificate for work performed or materials  
10 supplied until such time as the policy or certificate is  
11 specifically rejected in writing. However, the general  
12 contractor or subcontractor may not be deemed to have accepted  
13 a policy or certificate that does not comply with the  
14 insurance coverage limits specified in the construction  
15 contract, that was knowingly and fraudulently altered, or that  
16 reflects coverages or conditions that are not contained in the  
17 underlying policy.

18 (b) After accepting a policy or certificate, a general  
19 contractor or subcontractor may not use the lack of conforming  
20 insurance as a reason to reject work previously completed by a  
21 subcontractor or sub-subcontractor, to reject materials  
22 previously supplied by a materialman, or to withhold payment  
23 for work previously completed or for material previously  
24 supplied. However, the general contractor or subcontractor may  
25 reject work previously completed or material previously  
26 supplied or may withhold payment for such work or materials if  
27 the policy or certificate provided by the subcontractor,  
28 sub-subcontractor, or materialman:

29 1. Does not comply with the insurance coverage limits  
30 specified in the construction contract;

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1           2. Was knowingly and fraudulently altered or reflects  
2 coverages or conditions that are not contained in the  
3 underlying policy; or

4           3. Is canceled, nonrenewed, or materially and  
5 adversely altered during the term of the construction  
6 contract.

7           (3) If the general contractor or subcontractor rejects  
8 a policy or certificate as nonconforming in writing and states  
9 the specific reasons for rejection, any provision of the  
10 contract requiring such insurance is unenforceable, and  
11 payment may be withheld for work performed or materials  
12 supplied after the date of the rejection of the policy or  
13 certificate.

14           Section 2. This act shall take effect July 1, 2006.

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17           SENATE SUMMARY

18           Creates a right for certain contractors or subcontractors  
19           to reject construction contracts because a subcontractor,  
20           sub-subcontractor, or materialman does not provide  
21           certain insurance coverage required by the contract.  
22           Establishes specific grounds and procedures for such  
23           rejection.