

# CONSTRUCTION INSURANCE - Atlantic CURIE Workshop

October 19, 2017



# Agenda

- Construction Insurance 101
  - Builders Risk
  - General Liability
  - Wrap Up Liability
  - Professional Liability
  - Environmental Liability
  - Workers Comp
- Advantages of Owner Controlled Insurance Program (OCIP)
- How does OCIP projects Dovetail with CURIE Coverage?
- Questions

# Construction Insurance 101

- Construction Policies:
  - Builders Risk
  - General Liability
  - Wrap-up Liability
  - Professional Liability
  - Environmental Liability
  - Workers' Compensation



## Builder's Risk

- Single project coverage – full term of project
- 1st Party Coverage for damage to project works
- Covers all parties involved in construction (Owner / Contractor / Sub-Contractors)
- Can include coverage for delay in start up (usually owners risk)
- Can be arranged by the Owner (generally preferred option) or Contractor
- All risks coverage
- Testing and Commissioning should be included
- Mechanical Breakdown / Boiler

## Builder's Risk

- Key Exclusions:
  - War
  - Nuclear
  - Mysterious disappearance
  - Faulty workmanship
  - Error in design
- Exclusions vary widely - frost / freezing exclusion, mechanical / electrical breakdown, faulty workmanship / error in design
- Needs to ensure there are adequate limits for transit coverage, off-site storage, and soft costs

## General Liability

- 3rd Party Coverage
- Provided by all parties to the construction project (subs etc)
- Covers bodily injury and property damage
- Owner should be added as additional insured to contractors / subs policies
- Subject to exclusions:
  - Intentional acts
  - Automobile
  - Workers comp.
  - Gradual Pollution

## General Liability

- Limits shared amongst all the contractor's projects
- No dedicated completed operations
- Renewable annually
- Make sure coverage shown on Certificate of Insurance mirrors your risk management standards / contract.
- Policy wordings vary and attention needs to be paid that the insurance company they are using is reputable and financially secure.

## Wrap-up Liability

- Single project coverage – full term of project
- As with a General Liability policy it provides 3rd Party Coverage
- Covers all parties in the construction project  
Owner-Contractor-Sub-Contractor-Consultants  
(excluding suppliers and security guards)
- Coverage for bodily injury and property damage (can be arranged by the Owner (OCIP) or by the Contractor)
- Excludes damage to project
- Dedicated Limits
- Covers entire term of the project plus a dedicated Completed Operations – usually 24 Months but can vary depending on the project.

## Professional Liability (E & O)

- 3rd Party Coverage
- Insures against negligent acts, errors or omissions by design consultants (Architects, Engineer, etc.)
- Provides coverage for financial loss, as well as bodily injury / property damage
- Usually provided by consultants to the project (Architect, Engineer, etc)
- No dedicated limits - covers all their professionals work
- Renewable annually
- Owner **cannot** be added as an additional insured

# Project Specific Errors and Omissions

- 3rd Party Coverage
- Insures against negligent act, error or omission by design consultants (Architects, Engineer, etc.)
- Provides coverage for financial loss, as well as bodily injury / property damage
- Covers all consultants on the project
- Dedicated limit
- Non-cancelable
- Dedicated reporting period following the completion of the project when many of the claims show up.

## Environmental Liability

- Coverage for claims related to pollution conditions caused by, or exacerbated, by a contractor(s)
  - Can include work overseen/directed by environmental consultant
- Can be annual policies purchased by a specific contractor or project specific policies which can cover general contractor and some/all of their sub-contractors
- Generally need project value/cost and a general description of work in order to obtain indications/quotes
- Maximum project policy term and any Completed Operations coverage typically cannot total more than 10 years

## Workers Compensation

- Not handled by insurers / brokers in Canada
- Each Province has its own system
- Contractors should provide proof of good standing

## Advantages of an Owner Controlled Construction Program

- Cost savings: taking advantage of a competitive OCIP marketplace for best rates and no contractor admin added on.
- Dedicated policies and limits for the project: if contractor's GL is relied upon instead, project owner will be subject to every other construction project he is working on.
- Not subject to potential deficiencies in a contractor's insurance program.
- Greater control over claims handling (Not at arm's length).
- Ability to dovetail coverage with existing operational property policies.

***(Note: You're paying the premiums for your project no matter whether you or the contractor arranges the coverage so why not make it your insurance program that you control!)***

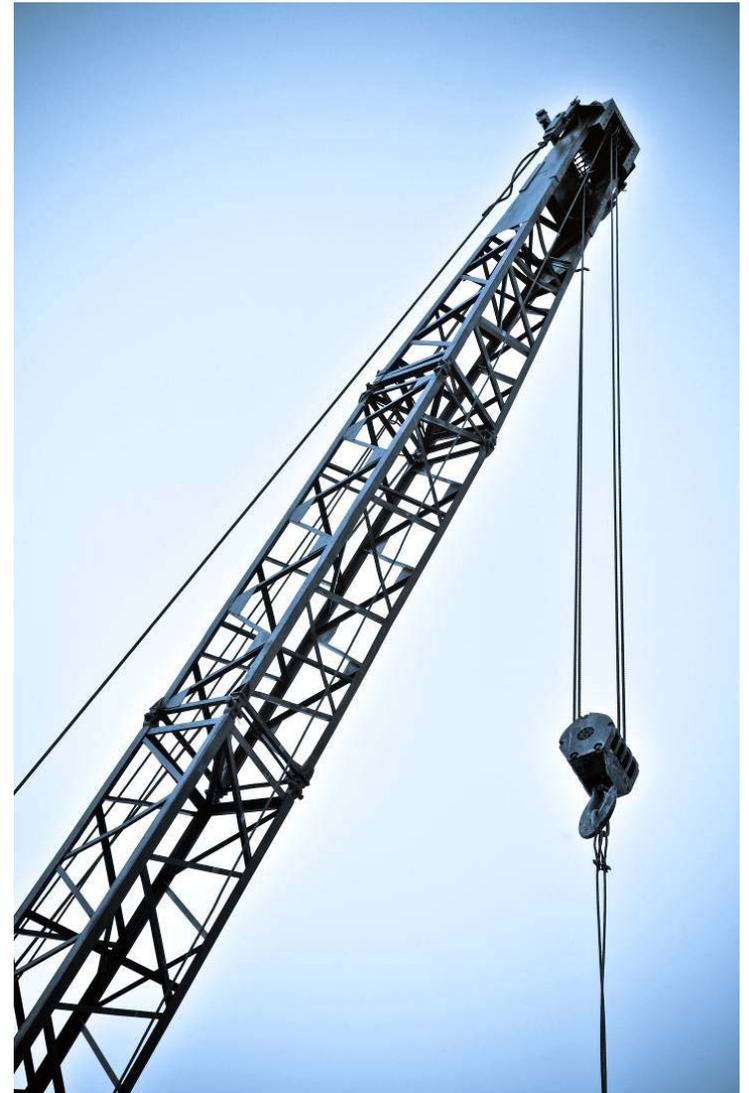
## How does OCIP (COC And Wrap Up) for Construction Projects Dovetail with CURIE?

- CURIE excludes new buildings or structures during the course of construction. This exclusion does not apply to existing buildings or structures involving renovations (additions or alterations) having a total project cost of not more than five million dollars. Nor does exclusion apply to new buildings that have sustained substantial completion status as determined by project architects and/or engineers.
- CURIE does not cover contractors. This is the reason why COC is purchased for building and wrap up for third party losses and existing structures.
- CURIE will sue any contractor who causes a loss (subrogation).
- Project specific COC insurance is critical for all new building construction and for all renovation projects in excess of \$5,000,000. This property coverage can be either owner controlled or purchased from the general contractor.
- Project specific liability insurance will allow the university to protect their own CURIE coverage from adverse loss experience due to construction activity.

# What Type of Insurance Should You Require from Contractors?

Presuming Owner Controlled Program, the following Coverages should be requested

- Auto Liability Insurance.
- General Liability – for operations not contemplated by Wrap-up policy
- Contractors Equipment & Tools
- Professional Liability – if not on a project specific basis.
- Aircraft: if exposure warrants such coverage.
- Watercraft: if exposure warrants such coverage.
- The limits you may require can vary by coverage type. This is typically dictated by degree of risk/exposure.







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