



February 2008

****CSRMA ALERT****

Model Guidelines: Insurance Requirements for Construction Projects

Member agencies are dealing with insurance requirements in contracts in various manners and CSRMA believes that a consistent approach to insurance requirements in contracts would benefit member agencies. As such, CSRMA has developed model guidelines for insurance requirements for construction projects specific to member needs. The attached model guidelines will be posted to the CSRMA website and will be updated as appropriate.

The purpose of the model guidelines is to provide member agencies with a resource to assist you in developing insurance requirements for your construction projects. The model guidelines attempt to address all of the insurance requirements that would be applicable to a construction project. Some of the requirements may not be applicable to a particular project, and therefore, each project should be evaluated on a case-by-case basis to determine the appropriate insurance requirements specific to that contract. The Program Administrators are available to assist with this process.

Please contact Seth Cole (415) 403-1419 or scole@alliantinsurance.com with any questions regarding the model guidelines.

***For More Information, Please Contact David Patzer, CSRMA Risk Control Advisor at
707.373.9709 or at losscontrol@sbcglobal.net***

Insurance Requirements for Contractors (With Construction Risks)

Contractor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence Form CG 00 01) or Insurance Services Office Form (CG 00 09 11 88 Owners and Contractors Protective Liability Coverage Form - Coverage for Operations of Designated Contractor).
2. Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
3. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
4. Builder's Risk (Course of Construction) and/or Installation Floater insurance covering all risks of loss less policy exclusions.
5. Surety bonds as described below.
6. Professional Liability (if *Design/Build*).
7. Contractors Pollution Liability and/or Asbestos Pollution Liability and/or Errors & Omissions (*if project involves environmental hazards*)

Minimum Limits of Insurance

Contractor shall maintain limits no less than:

1. General Liability: (Including operations, products and completed operations.)	\$5,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability:	\$1,000,000 per accident for bodily injury and property damage.
3. Workers' Compensation	As required by the State of California.
4. Employer's Liability:	\$1,000,000 per accident for bodily injury or disease.
5. Builder's Risk / Installation Floater:	Completed value of the project with no coinsurance penalty provisions
6. Professional Liability	\$1,000,000 as needed for design/build.
7. Contractors Pollution Liability and/or Asbestos Pollution Liability and/or Errors & Omissions:	\$1,000,000 each occurrence/ \$2,000,000 policy aggregate, including Errors & Omissions if professional services are included under the contract (<i>as needed</i>)

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the Entity. At the option of the Entity, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Entity, its officers, officials, employees and volunteers; or the Contractor shall provide a financial

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guarantee satisfactory to the Entity guaranteeing payment of losses and related investigations, claim administration and defense expenses.

Other Insurance Provisions

The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The Entity, its officers, officials, employees, and volunteers are to be covered as insureds with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the contractor; and with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an additional insured endorsement (CG 20 10 11 85 or equivalent) to the Contractor's insurance, or as a separate owner's policy.
2. For any claims related to this project, the Contractor's insurance coverage shall be primary insurance as respects the Entity, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the Entity, its officers, officials, employees, or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) day's prior written notice has been provided to the Entity.
4. If the services involve lead-based paint or asbestos identification / remediation, the Contractors Pollution Liability shall not contain lead-based paint or asbestos exclusions. If the services involve mold identification / remediation, the Contractors Pollution Liability shall not contain a mold exclusion and the definition of "Pollution" shall include microbial matter including mold.

If General Liability, Contractors Pollution Liability and/or Asbestos Pollution Liability and/or Errors & Omissions coverages are written on a claims-made form:

1. The retroactive date must be shown, and must be before the date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of contract work.
3. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective date, the Contractor must purchase an extended period coverage for a minimum of five (5) years after completion of contract work.
4. A copy of the claims reporting requirements must be submitted to the Entity for review.

Builder's Risk (Course of Construction) Insurance and/or Installation Floater

Builder's Risk

Contractors may submit evidence of Builder's Risk insurance as evidence of course of construction coverage. The insurance protects the parties to the agreement from financial loss during the construction process. There may be multiple parties that have a financial interest in the process and may include the owner of the project, a lender and contractors. You must review the policy language provided for termination events such as a substantial completion, owner occupancy and full completion. These times and dates will be important to coordinate with your existing property policies to guarantee that no gaps in coverages will occur.

Builder's Risk policies shall contain the following provision:

- The Entity shall be named as loss payee.

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Installation Floater

A property installation floater shall be obtained for all projects that provide for the improvement, remodel, modification, alteration, conversion or adjustment to existing buildings, structures, processes, machinery and equipment. The Property Installation Floater shall provide property damage coverage for any building, structure, machinery or equipment damaged, impaired, broken or destroyed during the performance of Work, including during transit, installation and testing at the Owner's site.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable by entity.

Verification of Coverage

Contractor shall furnish the Entity with original certificates and amendatory **endorsements** effecting coverage required by this clause. The endorsements should be on forms provided by the Entity or on other than the Entity's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the Entity before work commences. However, failure to do so shall not operate as a waiver of these insurance requirements. The Entity reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications at any time.

Waiver of Subrogation

Contractor hereby agrees to waive subrogation which any insurer of contractor may acquire from contractor by virtue of the payment of any loss. Contractor agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation.

The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the entity for all work performed by the contractor, its employees, agents and subcontractors.

Subcontractors

Contractor shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein.

Surety Bonds

Contractor shall provide the following Surety Bonds:

1. A bid bond.
2. A performance bond.
3. A payment bond.