

Builders Risk Discussion

Background

It is generally accepted and property insurance rates reflect that Buildings Under Construction are more susceptible to damage than completed buildings. During construction a building is more likely to suffer damage from perils such as Windstorm, Fire, Theft, etc. This is because the structure has not been finished and the site is not as secure as a completed building with all protection systems operational.

Issue

Construction contracts between the College/Owner and Contractors normally require that the Interest of all Contractors and Subcontractors be covered by the Builders Risk insurance. Some will even require that specific Additional Insured status be afforded the Contractor and Subcontractors. Many will require that Temporary Works such as Scaffolding, Forms, Fences, Shoring, and Temporary Buildings be covered.

It is not the intent of the FCSRMC Plan Document to provide this type of broad coverage for Buildings Under Construction. In fact, Page 5 Section I – Property Exclusions #7 states “With regard to Buildings Under Construction, loss to property of contractors and/or their employees such as tools, equipment, sheds, machinery.”

Concern

The most recent Statement of Property Values reported to the Consortium included \$100M of Builders Risk exposure from 6 Colleges. This means that the Colleges are not negotiating separate Builders Risk coverage and are relying on the coverage provided by the Plan Document. Our concern is that if there is a property damage claim at one of these Buildings Under Construction the Plan Document coverage is not as broad as the coverage requirement in the Construction Contract.

Conclusion

The Best Practice from a Risk Management standpoint is to secure broad Builders Risk coverage that meets all insurance requirement of the Construction Contract. This coverage can be provided by the Contractor or by the College Owner with the assistance of the Consortium and Gallagher.