

A. Construction & Contractor's Insurance: Tools for Evaluating Your Options

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Presented by:

Craig F. Stanovich, CPCU, CIC, AU
Principal & Consultant
Austin & Stanovich Risk Managers LLC
cstanovich@austinstanovich.com
508-476-3347 Extension 202
www.austinstanovich.com

Kathleen A. Creedon, CIC, CRM
Owner
Wrap Strategies
kcreedon@wrapstrategies.com
508-947-2247
www.wrapstrategies.com

Session Overview:

Whether it is summer deferred maintenance projects or major capitol improvement schedules, construction sites on campus are everywhere. Understanding the insurance program options available in construction today will prepare the university risk manager for tomorrow's construction related decisions.

This session provides an overview and comparison of the contractor's insurance coverage from three different angles: traditional contractor's insurance programs, contractor controlled insurance programs and owner controlled insurance programs. How do these programs and their insurance policies respond to the owner's requirements for contractor's insurance and how well can they address the campus' needs during the construction process.

Session Objectives:

Traditional Approach

- Briefly review owner's risks for a building under construction
- Brief discussion of benefits & limitations to an owner of typical hold harmless & indemnity clauses found in construction contracts
- Overview of insurance typically required by owners of contractors, including CGL (including additional insured status of owner), Automobile Liability, Workers' Compensation & Employers' Liability under a traditional arrangement
- Certificates of Insurance & their limitations for owners

Wrap-Up Approach

- Briefly describe wrap-ups & their operation
- Compare OCIP & CCIP options to traditional approach
- Provide brief overview of wrap-up feasibility process
- Discuss wrap-up success factors & trends

Q & A

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CONSTRUCTION PROPERTY INSURANCE ISSUES

BUILDER'S RISK

1. Owner is responsible for purchasing builders risk insurance (direct damage)
2. Coverage must remain in force until final payment has been made or only the Owner has an insurable interest (whichever is later)
3. All entities (Owner, General and all Subcontractors') interest to be included

AIA DOCUMENT A201 (1997) – GENERAL CONDITIONS OF CONTRACT FOR CONSTRUCTION

11.4 PROPERTY INSURANCE

11.4.1 Unless otherwise provided, the Owner shall purchase and maintain, in a company or companies lawfully authorized to do business in the jurisdiction in which the Project is located, property insurance written on a builder's risk, "all-risk" or equivalent policy form in the amount of the initial Contract Sum, plus value of subsequent Contract modifications and cost of materials supplied or installed by others, comprising total value for the entire Project at the site on a replacement cost basis without optional deductibles. Such property insurance shall be maintained, unless otherwise provided in the Contract Documents, until final payment has been made as provided in Paragraph 9.10 or until no person or entity other than the Owner has an insurable interest in the property required by this paragraph 11.4 to be covered, whichever is later. This insurance shall include interests of Owner, the Contractor, Subcontractors and Sub-subcontractors in the Project.

4. Builder's Risk Policy is to be all risk and on a replacement cost basis – completed value form (for value of contract plus modifications)
5. To include the perils of flood, earthquake and testing
6. To include Ordinance or Law Coverage
7. Owner is responsible for Builder's Risk deductible
8. Waiver of rights against contractors and subcontractors

AIA DOCUMENT A201 (1997) – GENERAL CONDITIONS OF CONTRACT FOR CONSTRUCTION

11.4.1.1 Property insurance shall be on an "all risk" or equivalent policy form and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm, falsework, testing and startup, temporary buildings and debris removal including demolition occasioned by enforcement of any applicable legal requirements, and shall cover the reasonable compensation for the Architect's and Contractor's services and expenses required as a result of such loss.

11.4.1.3 If the property insurance requires deductibles, the Owner shall pay costs not covered because of such deductibles.

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11.4.7 Waivers of Subrogation. The Owner and Contractor waive all rights against (1) each other and any of their subcontractors, sub-subcontractors, agents and employees, each of the other, and (2) the Architect, Architect's consultants, separate contractors described in Article 6, if any, and any of their subcontractors, sub-subcontractors, agents and employees, for damages caused by fire or other causes of loss to the extent covered by property insurance obtained pursuant to this Section 11.4 or other property insurance applicable to the Work, except such rights as they have to proceeds of such insurance held by the Owner as fiduciary.

At Owner's option – May include Loss of Use (Delayed Opening/Soft Costs)

AIA DOCUMENT A201 (1997) – GENERAL CONDITIONS OF CONTRACT FOR CONSTRUCTION

11.4.3 LOSS OF USE INSURANCE. The Owner, at the Owner's Option, may purchase and maintain such insurance as will insure the Owner against loss of use of the Owner's property due to fire or other hazards, however caused. The Owner waives all rights of action against the Contractor for loss of use of the Owner's property, including consequential losses due to fire or other hazards however caused.

Delayed Opening/Soft Costs Coverage Includes:

- Actual loss of earnings, including rental income
- Additional general overhead and administrative overhead expenses
- Additional interest expenses
- Additional construction loan fees
- Additional real estate taxes,
- Additional advertising and promotional expenses,
- Additional legal and professional fees,
- Additional insurance premiums,
- Additional license and permit fees,
- Additional security costs,
- Additional construction equipment rental,
- Additional leasing expenses and
- Additional real estate brokerage fees.

9. Builder's Risk – Reporting Form

- A. Contractor or Owner is building a series of buildings or units (such as a residential subdivision) at each project.
- B. Contractor or Owner is required to report the Completed Value of each building on which construction was started during policy period. Starting is often defined as “date when you first put building materials on construction site, including foundation.”
- C. Reports are usually monthly/Premium charge monthly based on reported values
- D. Coinsurance – Percentage that 100% Completed Value bears to actual reported value times the loss less deductible. (100% Coinsurance Clause)

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9. Builder's Risk – When does Coverage Begin and End?

Maryland Casualty/Zurich Builder's Risk Policy (form 40471):

WHEN COVERAGE BEGINS AND ENDS

We will cover risk of loss from the time when you are legally responsible for the property on or after the effective date of this policy if all other conditions are met. Coverage will end at the earliest of the following:

- a. Once your interest in the property ceased
- b. Ninety days after occupancy of the building unless
 - (1) That building is being used as a Model Home
 - (2) That building is being remodeled; or
 - (3) That building is being used as a Model Home Leaseback
- c. When the building is leased to or rented to others (if a multiple family or commercial structure, when more than 50% is leased or rented to others).
- d. When you abandon the reported location with no intention to complete it; Upon expiration of the policy (non-reporting policy)
- e. At the end of 12 months from the month when you first reported the location to us unless you report the location again and pay additional premium (reporting form policy)
- f. When permanent property insurance applies; or
- h. Once the Covered Property is accepted by the Owner or Buyer.

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CONSTRUCTION GENERAL LIABILITY/UMBRELLA ISSUES

Hold Harmless & Indemnity Agreements

Hold Harmless Agreement *A contract in which one party agrees to indemnify the other. See Indemnity. [Black's Law Dictionary – Seventh Edition]*

Indemnity Clause *A contractual provision in which one party agrees to answer for any specified or unspecified liability or harm that the other party might incur also termed hold harmless clause. [Black's Law Dictionary – Seventh Edition]*

AIA DOCUMENT A201 (1997) – GENERAL CONDITIONS OF CONTRACT FOR CONSTRUCTION

Intermediate Form Hold Harmless Agreement – Contractor indemnifies for losses caused, at least in part, by the Contractor or those one whose acts the Contractor is responsible, but only proportionally (Comparative Fault):

Section 3.18. INDEMNIFICATION

To the fullest extent permitted by law and to the extent claims, damages, losses or expenses are not covered by Project Management Protective Liability insurance purchased by the Contractor in accordance with Paragraph 11.3, the Contractor shall indemnify and hold harmless the Owner, Architect, Architect's consultants, and agents and employees of any of them from and **against claims, losses and expenses, including but not limited to attorney's fees, arising out of or resulting from the performance of Work, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death, or injury to or destruction of tangible property (other than the Work itself) but only to the extent caused by the negligent acts or omission of the Contractor, Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by a party indemnified hereunder.** Such obligation shall not be construed to negate, abridge, or reduce other rights or obligations of indemnity which would otherwise exist as to the party or person described in Paragraph 3.18.

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Massachusetts Anti-Indemnity Statute - Chapter 149: Section 29C

Section 29C. Any provision for or in connection with a contract for construction, reconstruction, installation, alteration, remodeling, repair, demolition or maintenance work, including without limitation, excavation, backfilling or grading, on any building or structure, whether underground or above ground, or on any real property, including without limitation any road, bridge, tunnel, sewer, water or other utility line, **which requires a subcontractor to indemnify any party for injury to persons or damage to property not caused by the subcontractor or its employees, agents or subcontractors, shall be void.**

Result of Massachusetts Statute: Indemnity provisions in construction contracts unenforceable and void *only* when the injury or damage is caused by the *sole* negligence of the indemnitee. Concurrent or shared causation or fault by indemnitor does not void indemnity agreement.

Rhode Island Anti-Indemnification Statute –Section 6-34-1

§ 6-34-1 Construction indemnity agreements. – (a) A covenant, promise, agreement, or understanding in, or in connection with or collateral to, a contract or agreement relative to the design, planning, construction, alteration, repair, or maintenance of a building, structure, highway, road, appurtenance, and appliance, including moving, demolition, and excavating connected with a building, structure, highway, road, appurtenance, or appliance, pursuant to which contract or agreement the promisee or the promisee's independent contractors, agents, or employees has hired the promisor to perform work, **purporting to indemnify the promisee, the promisee's independent contractors, agents, employees, or indemnitees against liability for damages arising out of bodily injury to persons or damage to property proximately caused by or resulting from the negligence of the promisee, the promisee's independent contractors, agents, employees, or indemnitees, is against public policy and is void;** provided that this section shall not affect the validity of any insurance contract, worker's compensation agreement, or an agreement issued by an insurer.

(b) Nothing in this section shall prohibit any person from purchasing insurance for his or her own protection or from purchasing a construction bond.

Result of Rhode Island Statute: Indemnification of others for *any* of their negligence is against public policy and void.

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Connecticut Anti-Indemnity Statute (Title 52 - Chapter 950)

Sec. 52-572k. Hold harmless clause against public policy in certain construction contracts.

(a) Any covenant, promise, agreement or understanding entered into in connection with or collateral to a contract or agreement relative to the construction, alteration, repair or maintenance of any building, structure or appurtenances thereto including moving, demolition and excavating connected therewith, that purports to indemnify or hold harmless the promisee against liability for damage arising out of bodily injury to persons or damage to property *caused by or resulting from the negligence of such promisee, such promisee's agents or employees, is against public policy and void, provided this section shall not affect the validity of any insurance contract, workers' compensation agreement or other agreement issued by a licensed insurer.*

Result of Connecticut Statute: Indemnification of others for *any* of their negligence is void and unenforceable. May be required to defend or pay for defense of indemnitee until determination of liability of each party.

**A. Construction & Contractor's Insurance: Tools for Evaluating Your Options
Insurance Required on Contractors – General Contractor & Subcontractors**

**AIA DOCUMENT A201 (1997) – GENERAL CONDITIONS OF CONTRACT FOR
CONSTRUCTION**

11.1 CONTRACTOR'S LIABILITY INSURANCE

11.1.1 Contractor shall purchase from and maintain in a company or companies lawfully authorized to do business in the jurisdiction in which the project is located such insurance as will protect the Contractor from claims set forth below which may arise out of or result from the Contractor's operations under the Contract and for which the Contractor may be legally liable, whether such operations be by the Contractor or by a Subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

.3 claims for damages because of bodily injury, sickness or disease, or death of any person other than the Contractor's employees;

.4 claims for damages insured by usual personal injury liability coverage;

.5 claims for damages, other than to the Work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;

.6 claims for bodily injury or property damage arising out of completed operations; and

.7 claims involving contractual liability insurance applicable to Contractor obligations under paragraph 3.18.

- Contractor's Liability Insurance is typical coverage included in standard CGL policy.
- Item .6 completed operations coverage requirement was added in 1997 to AIA General Conditions. CGL Coverage need be kept in force "until final payment and termination of any coverage required to be maintained after final payment."
- Owner should consider extending this to "three years after substantial completion of the project" or similar wording

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ADDITIONAL INSURED

General Purpose: To obtain protection from the insurance *of others* by being added to the liability policy *of others* as an “insured” or a protected person or organization. Policy responds to defend and pay on behalf of the person or organization protected as an additional insured to the extent of the coverage provided to the additional insured.

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11.3.3 The Owner shall not require the Contractor to include the Owner, Architect or other persons on the Contractors Liability Insurance coverage under paragraph 11.1.

Additional Insured Requirement Removed in 1997 –AIA’s commentary:

“Some owners have required the contractors to name them as additional insureds under the contractor’s liability policy. While some additional protection may be gained in this way, it ultimately increases the cost of insurance to the contractor without measurably reducing the of risk disputes on the project. This practice has precluded by this provision, whether or not the Owner elects to require Project Management Protective Liability Insurance.”

- 1. Despite AIA position, Additional Insured requirements still demanded in most situations**
- 2. Usual endorsement required is entitled ADDITIONAL INSURED - OWNERS, LESSEES AND CONTRACTORS and form number is CG 2010**
- 3. *Edition date makes a difference* - November 1985 (11/85) edition - Still required in some contracts but not generally available from insurance industry.**

REASON: Liability “Arising out of your work” has been interpreted to include liability arising out of completed operations [liability arising out of finished work] performed by named insured and not just on-going operations – “arising out of” has no time limitation.

- 4. Additional Insured endorsement entitled “ADDITIONAL INSURED, OWNERS, LESSEES AND CONTRACTORS” October, 2001 Edition (CG 2010) – Expressly *excludes* completed operations performed by the named insured.**

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5. If coverage for liability arising out of finished work (completed operations) is required by contract, a separate Additional Insured Endorsement must be purchased. The endorsement is entitled ADDITIONAL INSURED – OWNERS, LESSEES AND CONTRACTORS – COMPLETED OPERATIONS. Form number is CG 20 37.
6. OPTION – Some insurers will allow “blanket” additional insured coverage. Benefit is that *automatic* coverage applies during the policy period to any person or organization you are required by written construction contract or agreement to add as additional insured. No need to change policy. Form number is CG 20 33 and is entitled “ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – AUTOMATIC STATUS WHEN REQUIRED IN CONSTRUCTION AGREEMENT WITH YOU.”

Trigger of Coverage - Additional Insured

Prior to July, 2004, most jurisdictions provided coverage for an additional insured *even if the additional insured was solely negligent*.

Example: ABC General Contractors, Inc. is erecting large office building. Subcontractor for iron and steel construction is XYZ Iron & Steel, Inc. XYZ Iron & Steel, Inc has complied with construction contract requirement and has added ABC General Contractors, Inc. to their policy (XYZ's policy) as an additional insured.

ABC General Contractors, Inc. negligently directs delivery of steel beams at the jobsite; XYZ Iron & Steel, Inc. is not aware of the delivery. Because the beams were put in the wrong place, a beam falls, injuring a passerby. ABC is sued by the injured party - and makes claim as an additional insured on XYZ's liability policy. Even though ABC is solely negligent, most courts would grant coverage for ABC under XYZ's policy as an additional insured.

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JULY 2004 CHANGES

Insurers may now be using a new additional insured endorsement still entitled ADDITIONAL INSURED .OWNERS, LESSEES OR CONTRACTORS – SCHEDULED PERSON OR ORGANIZATION - but with a July, 2004 edition date.

CHANGE: Coverage no longer responds to an additional insured UNLESS the injury or damage is *caused in whole or in part by the acts or omissions of the named insured* (in the above XYZ Iron & Steel, Inc.). ISO SAYS COVERAGE NO LONGER PROVIDED FOR THE SOLE NEGLIGENCE OF THE ADDITIONAL INSURED!

Section II . Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability arising out of your ongoing operations performed for that insured for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

1. Your acts or omissions; or
2. The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured(s) at the location(s) designated above.

Other Additional Insured Issues – Compliance Problems

A. Primary and Non-Contributory

ISO and 2004 CGL

Primary Insurance

This insurance is primary except when **b.** below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in **c.** below.

b. Excess Insurance

This insurance is excess over:

(2) Any other primary insurance available to you covering liability for damages arising out of the premises or operations, **or the products and completed operations**, for which you have been added as an additional insured by attachment of an endorsement.

ISO and 2001 & 1998 CGL – no products-completed operations

b. Excess Insurance

This insurance is excess over:

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(2) Any other primary insurance available to you covering liability for damages arising out of the premises or operations for which you have been added as an additional insured by attachment of an endorsement

Amendment of Other Insurance Condition – CG 00 55 03 97 Edition

Excess Insurance

This insurance is excess over:

- (1) Any of the other insurance, whether primary, excess, contingent or on any other basis:
- (2) Any other primary insurance available to you covering liability for damages arising out of the premises or operations for which you have been added as an additional insured by attachment of an endorsement.

Insurer's own wording – need to review carefully

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CONSTRUCTION AUTOMOBILE LIABILITY

AIA DOCUMENT A201 (1997) – GENERAL CONDITIONS OF CONTRACT FOR CONSTRUCTION

11.1 CONTRACTOR'S LIABILITY INSURANCE

11.1.1 Contractor shall purchase from and maintain in a company or companies lawfully authorized to do business in the jurisdiction in which the project is located such insurance as will protect the Contractor from claims set forth below which may arise out of or result from the Contractor's operations under the Contract and for which the Contractor may be legally liable, whether such operations be by the Contractor or by a Subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

.6 claims for damages because of bodily injury, death or a person or property damage arising out of ownership, maintenance or use of a motor vehicle;

1. December, 2004 – CGL and March, 2006 – BAP Changes Definition of "Auto" and "Mobile Equipment"

"Auto" means:

- a. A land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment; or
- b. Any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law in the state where it is licensed or principally garaged.

However, "auto" does not include "mobile equipment".

"Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:

However, "mobile equipment" does not include land vehicles that are subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

Land vehicles subject to a compulsory or financial responsibility law or other motor vehicle insurance law are considered "autos".

- a) Motor vehicles that would *otherwise be considered "mobile equipment"* but that are subject to a compulsory or financial responsibility law or other motor vehicle insurance law is now "auto."

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Compulsory Liability Statute: Connecticut Code 2003, Title 14, Section 14–12b and Title 38a, Sections 38a–334 to 343

Applies: At time of motor vehicle registration. [14–12b]

Definitions related to Registration (partial definition)

"Motor vehicle" means any vehicle propelled ..., except ...special mobile equipment as defined in subsection (i) of section 14–165 and any other vehicle not suitable for operation on a highway; [14–1 (47)]

"Special mobile equipment" means a vehicle not designed for the transportation of persons or property upon a highway and only incidentally operated or moved over a highway, including, but not limited to, ditch-digging apparatus, well-boring apparatus and road construction and maintenance machinery such as asphalt spreaders, bituminous mixers, bucket loaders, street sweepers, tractors other than truck tractors, ditchers, leveling graders, finishing machines, motor graders, road rollers, scarifiers, earth moving carry-alls and scrapers, power shovels and drag lines, and self-propelled cranes and earth moving equipment. The term does not include house trailers, dump trucks, truck-mounted transit mixers, cranes or shovels, or other vehicles designed for the transportation of persons or property to which machinery has been attached; [14–165 (9)]

Symbols – March, 2006 BAP (also Symbols 1, 2 or 7 for Liability)

19	Mobile Equipment Subject To Compulsory Or Financial Responsibility Or Other Motor Vehicle Insurance Law Only	Only those "autos" that are land vehicles and that would qualify under the definition of "mobile equipment" under this policy if they were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where they are licensed or principally garaged.
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Revised Exclusion – December, 2004 CGL for “Autos” that would otherwise be “Mobile Equipment” – coverage *provided* for operation of machinery or equipment attached to “Auto” that would otherwise be “Mobile Equipment”

This exclusion does not apply to:

(5) "Bodily injury" or "property damage" arising out of:

(a) The operation of machinery or equipment that is attached to, or part of, a land vehicle that would qualify under the definition of "mobile equipment" if it were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law in the state where it is licensed or principally garaged; or

(b) the operation of any of the machinery or equipment listed in Paragraph **f.(2)** or **f.(3)** of the definition of "mobile equipment".

Revised Exclusion – March, 2006 BAP Exclusion for “Autos” that would otherwise be “Mobile Equipment” – coverage excluded for operation of machinery or equipment attached to “Auto” that would otherwise be “Mobile Equipment”

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This insurance does not apply to any of the following:

9. Operations

"Bodily injury" or "property damage" arising out of the operation of:

- a. Any equipment listed in Paragraphs **6.b.** and **6.c.** of the definition of "mobile equipment"; or
- b. Machinery or equipment that is on, attached to, or part of, a land vehicle that would qualify under the definition of "mobile equipment" if it were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

BAP – *Prior* to March, 2006 – Use Symbols 1, 2 or 7 for Liability

Use “Bridge” Endorsement – CA 00 51 – changed definition of “Auto” to match CGL and amends exclusion for “operations” – to be used with December, 2004 CGL

CHANGES IN COVERAGE FORMS - MOBILE EQUIPMENT SUBJECT TO MOTOR VEHICLE INSURANCE LAWS

A. The **Operations** Exclusion under **Section II - Liability Coverage** of all coverage forms, except the Business Auto Physical Damage Coverage Form, is replaced by the following:

9. Operations

"Bodily injury", "property damage" or "covered pollution cost or expense" arising out of the operation of:

- a. Any equipment listed in Paragraphs **6.b.** and **6.c.** of the definition of "mobile equipment"; or
- b. Machinery or equipment that is on, attached to, or part of, a land vehicle that would qualify under the definition of "mobile equipment" if it were not subject to a compulsory or financial responsibility law where it is licensed or principally garaged.

B. The **Definitions** Section is amended as follows:

1. The definition of "Auto" is replaced by the following:

"Auto" means:

- a. Any land motor vehicle, "trailer" or semitrailer designed for travel on public roads; or
- b. Any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

However, "auto" does not include "mobile equipment".

CA 00 51 12 04

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Partial Definition of Mobile Equipment – **Items 6 b and 6 c**

6. Vehicles not described in Paragraphs 1. , 2. , 3. or 4. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":

a. Equipment designed primarily for:

(1) Snow removal;

(2) Road maintenance, but not construction or resurfacing; or

(3) Street cleaning;

b. Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

c. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting or well servicing equipment.

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CONSTRUCTION WORKERS' COMPENSATION & EMPLOYERS' LIABILITY

1. Contractor is required to purchase WC and EL coverage, including occupational disease

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11.1.1 Contractor shall purchase from and maintain in a company or companies lawfully authorized to do business in the jurisdiction in which the project is located such insurance as will protect the Contractor from claims set forth below which may arise out of or result from the Contractor's operations under the Contract and for which the Contractor may be legally liable, whether such operations be by the Contractor or by a Subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

- .1 claims under workers' compensation, disability benefits and other similar employee benefit acts which are applicable to the Work performed;
- .2 claims for damages because of bodily injury, occupational sickness or disease, or death of the Contractor's employees;

2. Subcontractors – Connecticut Statute

Principal employer (contractor) is liable to pay benefits to subcontractor to the same extent as if subcontractor was employee.

Sec. 31-291. Principal employer, contractor and subcontractor. When any principal employer procures any work to be done wholly or in part for him by a contractor, or through him by a subcontractor, and the work so procured to be done is a part or process in the trade or business of such principal employer, and is performed in, on or about premises under his control, such principal employer shall be liable to pay all compensation under this chapter to the same extent as if the work were done without the intervention of such contractor or subcontractor. The provisions of this section shall not extend immunity to any principal employer from a civil action brought by an injured employee or his dependent under the provisions of section 31-293 to recover damages resulting from personal injury or wrongful death occurring on or after May 28, 1988, unless such principal employer has paid compensation benefits under this chapter to such injured employee or his dependent for the injury or death which is the subject of the action.

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3. Employees of Uninsured Subcontractors – Massachusetts Statute (incomplete citation)
 - a. Employer (and insurer) of uninsured subcontractors liable for injuries IF employee of subcontractor work is work that the employer's employees would have performed.

MGL Chapter 152: Section 18 Independent and sub-contractors; liability of insurer and others

Section 18. If an insured person enters into a contract, written or oral, with an independent contractor to do such person's work, or if such a contractor enters into a contract with a sub-contractor to do all or any part of the work comprised in such contract with the insured, and the insurer would, *if such work were executed by employees immediately employed by the insured, be liable to pay compensation under this chapter to those employees, the insurer shall pay to such employees any compensation which would be payable to them under this chapter if the independent or sub-contractors were insured persons.*

- b. Employer not liable if injury to subcontractor's employees arises out of performance ancillary or incidental to the trade or business carried on by employer.

MGL Chapter 152: Section 18 Independent and sub-contractors; liability of insurer and others

This section shall not apply to any contract of *an independent or sub-contractor which is merely ancillary and incidental to, and is no part of or process in, the trade or business carried on by the insured*, nor to any case where the injury occurred elsewhere than on, in or about the premises on which the contractor has undertaken to execute the work for the insured or which are under the control or management of the insured. The word "premises", as used in this section, shall include the public highways if the contract requires or necessitates the use of the public highways.

4. Sole Proprietors, Partners & Corporate Officers – Connecticut

(9) (A) "Employee" means any person who:

(ii) Is a sole proprietor or business partner who accepts the provisions of this chapter in accordance with subdivision (10) of this section;

(10) A person who is the sole proprietor of a business may accept the provisions of this chapter by notifying the commissioner, in writing, of his intent to do so. If such person accepts the provisions of this chapter he shall be considered to be an employer and shall insure his full liability in accordance with subdivision (2) of subsection (b) of section [31-284](#). Use form 75.

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Any person who is a partner in a business shall be deemed to have accepted the provisions of this chapter and shall insure his full liability in accordance with subdivision (2) of subsection (b) of section [31-284](#), unless the partnership elects to be excluded from the provisions of this chapter by notice, in writing and by signed agreement of each partner, to the commissioner. Use Form 6B-1.

(B) "Employee" shall not be construed to include:

(v) An employee of a corporation who is a corporate officer and who elects to be excluded from coverage under this chapter by notice in writing to his employer and to the commissioner. Use Form 6B

5. Sole Proprietors, Partners in Massachusetts

Chapter 152: Section 1 Definitions

(4) "Employee"

For the purpose of this chapter, a sole proprietor at his option or a partnership at its option shall be an employee. A sole proprietor or partnership may elect coverage by securing insurance with a carrier.

6. Limited Liability Companies – Connecticut (MEMORANDUM NO. 2003-02)

It has recently come to the attention of this Commission that uncertainty exists in the business community of this state regarding the obligations of members of limited liability companies (LLCs) to request inclusion or exclusion under the Workers' Compensation Act. After carefully considering this matter, we have determined that members of LLCs that contain only one member (single-member LLCs) should be presumed to be **excluded** from the Act unless they have elected to be covered, while members of multiple-member LLCs should be presumed to be **covered** under the Act unless they have elected to be excluded. In order to clarify this policy, we have amended our Form 6B and our Form 75 accordingly, and direct all members of LLCs to use such forms in the future.

7. Limited Liability Companies and Limited Liability Partnerships in Massachusetts may elect to be covered by WC

DIA Circular Letter No. 313 (issued October 23, 2003- Revised 1/30/04)

It is the policy and practice of the DIA to consider LLCs and LLPs legal partnerships. Therefore, officers of LLCs and general partners of LLPs are NOT required to maintain workers' compensation insurance for themselves. However, the same LLCs and LLPs are required to maintain a valid workers' compensation insurance policy for all non-officer or non-partner employees of the LLP or LLC in question.

The officers (members) of LLCs and the partners of LLPs may, at their election, obtain a workers' compensation policy (or amend an existing policy) to provide coverage and benefits for said officers (members) or partners.

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8. Massachusetts Sole Proprietors, Partners and Members of LLC who do NOT elect to have coverage – are they an uninsured subcontractor's employees?
 - a. Not statutory employees UNLESS they elect coverage:
 - a. "Employee", every person in the service of another under any contract of hire, express or implied, oral or written

Massachusetts Independent Contractor Law

In July of 2004, the Massachusetts legislature amended a section of the Labor & Industries statute, specifically MGL Chapter 149, Section 148B, that now creates a presumption that a person providing services to another is an employee and not an independent contractor. Commonly known as the "Independent Contractor Law," this revised statute was the subject of a seven page advisory from the Attorney General explaining how the amended law was to apply.

According to the advisory, an individual performing service for another will be considered an employee and not an independent contractor unless the person for whom the services are being performed can overcome the employer-employee presumption by demonstrating the relationship meets *all three factors* of a three factor test. The tests are the individual must:

1. Be free of control and direction in the execution of his or her job; and
2. The services provided are outside the unusual course of the employer's business; and
3. Is engaged in an independent trade, occupation or business

The Department of Industrial Accidents (DIA), the administrative agency responsible for overseeing the Workers' Compensation system in Massachusetts, does consider Chapter 148, Section 148B controlling as respects who is an "employee" for the purposes of workers' compensation. Other factors, such as the individual having their own workers' compensation insurance or liability insurance, have no effect to the extent they do not demonstrate all three of the tests have been met.

The law is intended to apply to individuals (including partnerships); corporations do not have to meet the three part test, but are still subject to the workers' compensation statute, such as Chapter 152, Sections 14 and 18. Further, the amended law, Section 148B, does state that the president and treasurer of a corporation and any other officer or agent having management responsibilities of the corporation will be deemed the employer under Section 148B.

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CERTIFICATES OF INSURANCE (ACORD 25)

Purpose – To demonstrate evidence of insurance in effect *at the time the Certificate of Insurance was issued.*

Certificate Holder – The person or organization to which the certificate has been issued.

Rights of Certificate Holder – The issuance of the certificate provides “NO RIGHTS UPON THE CERTIFICATE HOLDER.”

Policy Terms & Conditions –The insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies..

Policy Changes – The issuance of the certificate “DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW” [as listed on the certificate]. Further, any exclusion added by endorsement or special policy conditions should be indicated [in box labeled Description of operations/Locations/Vehicles/Exclusions Added by Endorsement/Special Provisions]

Policy Cancellation - Insurer “will endeavor” to mail ...written notice of cancellation, but failure to do so shall impose no obligation or liability of any kind upon the insurer, its agents or representatives.

Limits of Liability – Aggregate limits may have been reduced by paid claims.

ACORD recommends that the Certificate NOT be used in the following situations:

- To waive rights
- To quote wording from a contract
- To attach to an endorsement
- To quote any wording which amends a policy, unless the policy itself has first been amended

Certificates of Insurance – AIA A201 Requirements

11.1.3 Certificate of Insurance acceptable to the Owner shall be file with the Owner prior to commencement of the Work. These certificates and the insurance policies required by this paragraph 11.1 shall contain a provision that coverages afforded under the policies will not be canceled or allowed to expire until at least 30 days' prior writing notice has been given to the Owner. ***Information concerning reduction of coverage on account of revised limits or claims paid under the General Aggregate, or both, shall be furnished by the Contractor with reasonable promptness in accordance with the Contractor's information and belief.***

Important Note: Requirement to notify if losses paid reduce General Aggregate limit

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ACORD™ CERTIFICATE OF LIABILITY INSURANCE		DATE (MM/DD/YYYY)
PRODUCER	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURED	INSURERS AFFORDING COVERAGE	NAIC #
	INSURER A:	
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR. INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$
	EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				<input type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
	OTHER				
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS					

CERTIFICATE HOLDER 	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL _____ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE
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SUBROGATION

Subrogation – *The principle under which an insurer that has paid a loss under an insurance policy is entitled to all the rights and remedies belonging to the insured against the third party with respect to any loss covered by the policy. [Black's Law Dictionary – Seventh Edition]*

Waiver – *The voluntary relinquishment of a legal right or advantage. [Black's Law Dictionary – Seventh Edition]*

WAIVER OF SUBROGATION

NOTE: Only insurance company can waive right of subrogation.

Usually, parties to a construction agreement mean to release the other from potential liability.

The later is NOT subrogation but waiver of a *right to recovery*.

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SOME IMPORTANT DEFINITIONS

Contractor – One who contracts to do work or provide supplies to another [Black's Law Dictionary – Seventh Edition]

General Contractor – One who contracts for completion of the entire project, including purchasing all materials, hiring and paying subcontractors, and coordinating all work. Also termed original contractor or prime contractor. [Black's Law Dictionary – Seventh Edition]

Subcontractor – One who is awarded a portion of an existing contract by a contractor, especially a general contractor. [Black's Law Dictionary – Seventh Edition]

Independent Contractor – One who is hired to undertake a specific project but who is left free to do the assigned work and to choose the method for accomplishing it. *Unlike an employee, an independent contractor who commits a wrong while carrying out the work does not create liability for the one who did the hiring.* [Black's Law Dictionary – Seventh Edition]

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Wrap-Ups

Advantages and disadvantages of traditional procurement method

Advantages of Traditional Method

- General contractor indemnification agreement and AI insurance
- Simple accounting-insurance part of cost of work
- No or little additional administration

Disadvantages of Traditional Method

- Owner pays various rates for insurance, may not realize economies of scale
- Project is covered by many different insurance companies
- Each contractor and/or their insurance company may have different approaches to safety
- Each contractor may have different coverage or the coverage may exclude certain items, for example, claims arising out of residential construction or contractual liability
- Each contractor may have different limits
- Contractors will have limited completed operations coverage
- Additional Insured endorsements may be inadequate
- Claims administration and litigation may be more complex due to multiple parties
- Owner is represented by GC or sub's carrier

Wrap-Up Approach Compared to Traditional

Traditional

- Each party provides its own insurance, except builders risk
- Owner buys insurance from contractors

Wrap-Up

- Indemnity obligations do not change
- Wrap-up changes who procures the insurance for project
- Wrap-up changes control of safety & claims management
- Sponsor provides certain coverages to eligible parties
- Sponsor buys insurance for contractors (and owner, if applicable)

Wrap-Up Sponsor Options

- Owner-OCIP
- CM/GC-CCIP
- Some kind of partnership arrangement

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Wrap-Up Program Options

Comprehensive Wrap-Up

- Workers' Compensation
- General Liability
- Umbrella/Excess Liability

GL Only Wrap-Up

- General Liability
- Umbrella/Excess Liability

Advantages of OCIP Method

- Coverage certainty and uniformity
- Completed operations extension
- Control of safety and collaborative approach to safety
- Improved claims control and handling
- Streamlined/reduced litigation
- Potential to use smaller contractors
- Public relations/reputation advantages

Disadvantages of OCIP Method

- Risk of maximum program cost & deductible obligation
- Initial premium deposits & payments
- Variable cost to owner due to
 - Final program audit (payroll, CV)
 - Claims activity
 - Cost of administration, if variable
- Long term LOC requirement
- Long term claim payment responsibilities
- Uncertainty as respects contractor credits
- Increased responsibility/liability to contractors as respects the program's coverage, terms and conditions
- Higher cost for stand alone/individual project

- Meetings with Administrator
- Direct safety responsibility to ensure successful program
 - Meetings
 - Safety awareness efforts
 - Training
 - Potential OSHA involvement
- Potential conflicts with contractors regarding credits
- Claim activity review
- Deductible payment review

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CCIP Method

- CM/GC provides certain insurance for the project on behalf of Project Owner and Subcontractors

Advantages of CCIP Method

- Realize wrap-up benefits without financial risk
- Avoid all disadvantages of OCIP
- CCIP may utilize higher rated carrier than one time OCIP

Disadvantages of CCIP Method

- Cost
- Possibility of being charged maximum rate by CM/GC
- If project has a residential component- may be more costly than traditional method
- Lose control of safety & claims management

Overview of wrap-up procurement process

- Feasibility analysis
 - Purpose
 - Go/no go decision
 - Reason for implementation
 - Definition of success
 - Risk management tool
 - Analyze risk
 - Assess alternatives
 - Consideration of sponsor's risk tolerance
- Versus*
- Sales tool
 - Promote wrap-up as a savings vehicle
 - Promote wrap-up as only option
 - Fail to consider sponsor's risk tolerance

Wrap-up success factors

- Supported from the top
- Safety is primary focus
- Additional/improved coverage
- Clear and consistent documentation
- Considers all participants
- Good communication
- Minimal claims activity
- Lowest possible cost

Trends

- Disclosure
- Gaps

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Disclaimer

#'s in this presentation are examples only!

Each Wrap-Up project is unique with differing jurisdictions and program participants. The information provided in this presentation is to be used as a reference only. This presentation contains sample pro forma numbers. These numbers are fictitious, for illustration purposes only and should not be relied upon for accuracy.

In consideration of the above, it shall be understood by the recipient that the author(s) and/or publisher(s) of this information are not providing any legal or accounting advice and are not responsible or liable for any damages due to any reliance of the information contained in this presentation. Additionally, this presentation is a tool to be used to stimulate discussion within your organization or with your customers. This presentation does not identify or intend to identify all possible coverage gaps and problems that may be encountered as a result of sponsorship of or participation in a wrap-up program.

Fictitious Sample Budget

Item Description	1 Project-2 Years	4 Projects-3 Years
Site work	\$ 3,000,000	\$ 12,000,000
Site utilities	\$ 1,300,000	\$ 5,200,000
Landscaping	\$ 500,000	\$ 2,000,000
Site improvements	\$ 1,200,000	\$ 4,800,000
Concrete	\$ 18,000,000	\$ 72,000,000
Masonry	\$ 6,300,000	\$ 25,200,000
Structural steel	\$ 8,300,000	\$ 33,200,000
Misc. metals	\$ 1,750,000	\$ 7,000,000
Rough carpentry	\$ 300,000	\$ 1,200,000
Millwork	\$ 2,200,000	\$ 8,800,000
Waterproofing	\$ 950,000	\$ 3,800,000
Insulation	\$ 50,000	\$ 200,000
Fire Stopping	\$ 25,000	\$ 100,000
Roofing	\$ 500,000	\$ 2,000,000
Joint sealants	\$ 35,000	\$ 140,000
Doors, frames and hardware	\$ 1,300,000	\$ 5,200,000
Glass & glazing	\$ 2,300,000	\$ 9,200,000
Gypsum drywall systems	\$ 6,700,000	\$ 26,800,000
Tile	\$ 500,000	\$ 2,000,000
Acoustical	\$ 325,000	\$ 1,300,000
Carpet	\$ 610,000	\$ 2,440,000
Resilient flooring	\$ 625,000	\$ 2,500,000
Painting	\$ 800,000	\$ 3,200,000
Specialties	\$ 500,000	\$ 2,000,000
Equipment	\$ 450,000	\$ 1,800,000
Furnishings	\$ 70,000	\$ 280,000
Elevators	\$ 1,435,000	\$ 5,740,000
Plumbing	\$ 3,150,000	\$ 12,600,000
Fire protection	\$ 1,400,000	\$ 5,600,000
HVAC	\$ 6,400,000	\$ 25,600,000
Electrical	\$ 6,300,000	\$ 25,200,000
Subtotal Construction	\$ 77,275,000	\$ 309,100,000
General Conditions	\$ 10,000,000	\$ 40,000,000
Total Budget	\$ 87,275,000	\$ 349,100,000

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Item	Amount
Estimated Budget	\$ 87,275,000
Estimated Payroll %	23%
Est. Payroll @23% Payroll	\$ 20,073,250
Exp. Credit per \$100 Payroll	\$ 16.00
	\$ 3,211,720
Estimated Fixed Rate	\$ 5.00
	\$ 1,003,663
Umbrella/Excess	\$ 375,000
Administration Cost	\$ 200,000
Total Fixed Cost	\$ 1,578,663
Max Loss Aggregate	15%
	\$ 3,010,988

I. Single Project-Higher Payroll & Credit Prediction

Credit	L/R	Losses	Loss Exp.	Total Loss	Total Fixed	Total Cost	Total Est. Savings*
\$ 3,211,720	0%	\$ -	\$ -	\$ -	\$1,578,663	\$ 1,578,663	\$ 1,633,058
\$ 3,211,720	10%	\$ 321,172	\$ 32,117	\$ 353,289	\$1,578,663	\$ 1,931,952	\$ 1,279,768
\$ 3,211,720	20%	\$ 642,344	\$ 64,234	\$ 706,578	\$1,578,663	\$ 2,285,241	\$ 926,479
\$ 3,211,720	25%	\$ 802,930	\$ 80,293	\$ 883,223	\$1,578,663	\$ 2,461,886	\$ 749,835
\$ 3,211,720	30%	\$ 963,516	\$ 96,352	\$ 1,059,868	\$1,578,663	\$ 2,638,530	\$ 573,190
\$ 3,211,720	40%	\$1,284,688	\$128,469	\$ 1,413,157	\$1,578,663	\$ 2,991,819	\$ 219,901
\$ 3,211,720	50%	\$1,605,860	\$160,586	\$ 1,766,446	\$1,578,663	\$ 3,345,109	\$ (133,389)
\$ 3,211,720	60%	\$1,927,032	\$192,703	\$ 2,119,735	\$1,578,663	\$ 3,698,398	\$ (486,678)
\$ 3,211,720	70%	\$2,248,204	\$224,820	\$ 2,473,024	\$1,578,663	\$ 4,051,687	\$ (839,967)
\$ 3,211,720	94%	\$3,010,988	\$301,099	\$ 3,312,086	\$1,578,663	\$ 4,890,749	\$ (1,679,029)

*Savings can never be guaranteed!

A. Construction & Contractor's Insurance: Tools for Evaluating Your Options

Item	Amount
Estimated Budget	\$ 87,275,000
Estimated Payroll %	19%
Est. Payroll @19% Payroll	\$ 16,582,250
Exp. Credit per \$100 Payroll	\$ 12.00
	\$ 1,989,870
Estimated Fixed Rate	\$ 5.00
	\$ 829,113
Umbrella/Excess	\$ 350,000
Administration Cost	\$ 200,000
Total Fixed Cost	\$ 1,379,113
Max Loss Aggregate	15%
	\$ 2,487,338

II. Single Project-Lower Payroll & Credit Prediction

Credit	L/R	Losses	Loss Exp.	Total Loss	Total Fixed	Total Cost	Total Est. Savings*
\$ 1,989,870	0%	\$ -	\$ -	\$ -	\$1,379,113	\$ 1,379,113	\$ 610,758
\$ 1,989,870	10%	\$ 198,987	\$ 19,899	\$ 218,886	\$1,379,113	\$ 1,597,998	\$ 391,872
\$ 1,989,870	20%	\$ 397,974	\$ 39,797	\$ 437,771	\$1,379,113	\$ 1,816,884	\$ 172,986
\$ 1,989,870	25%	\$ 497,468	\$ 49,747	\$ 547,214	\$1,379,113	\$ 1,926,327	\$ 63,543
\$ 1,989,870	30%	\$ 596,961	\$ 59,696	\$ 656,657	\$1,379,113	\$ 2,035,770	\$ (45,900)
\$ 1,989,870	40%	\$ 795,948	\$ 79,595	\$ 875,543	\$1,379,113	\$ 2,254,655	\$ (264,785)
\$ 1,989,870	50%	\$ 994,935	\$ 99,494	\$ 1,094,429	\$1,379,113	\$ 2,473,541	\$ (483,671)
\$ 1,989,870	60%	\$1,193,922	\$119,392	\$ 1,313,314	\$1,379,113	\$ 2,692,427	\$ (702,557)
\$ 1,989,870	70%	\$1,392,909	\$139,291	\$ 1,532,200	\$1,379,113	\$ 2,911,312	\$ (921,442)
\$ 1,989,870	125%	\$2,487,338	\$248,734	\$ 2,736,072	\$1,379,113	\$ 4,115,184	\$ (2,125,314)

*Savings can never be guaranteed!

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Item	Amount
Estimated Budget	\$ 349,100,000
Estimated Payroll %	23%
Est. Payroll @23% Payroll	\$ 80,293,000
Exp. Credit per \$100 Payroll	\$ 16.00
	\$ 12,846,880
Estimated Fixed Rate	\$ 4.00
	\$ 3,211,720
Umbrella/Excess	\$ 650,000
Administration Cost	\$ 700,000
Total Fixed Cost	\$ 4,561,720
Max Loss Aggregate	12%
	\$ 9,635,160

III. Rolling Program-Higher Payroll & Credit Prediction

Credit	L/R	Losses	Loss Exp.	Total Loss	Total Fixed	Total Cost	Total Est. Savings*
\$12,846,880	0%	\$ -	\$ -	\$ -	\$4,561,720	\$ 4,561,720	\$ 8,285,160
\$12,846,880	10%	\$1,284,688	\$128,469	\$ 1,413,157	\$4,561,720	\$ 5,974,877	\$ 6,872,003
\$12,846,880	20%	\$2,569,376	\$256,938	\$ 2,826,314	\$4,561,720	\$ 7,388,034	\$ 5,458,846
\$12,846,880	25%	\$3,211,720	\$321,172	\$ 3,532,892	\$4,561,720	\$ 8,094,612	\$ 4,752,268
\$12,846,880	30%	\$3,854,064	\$385,406	\$ 4,239,470	\$4,561,720	\$ 8,801,190	\$ 4,045,690
\$12,846,880	40%	\$5,138,752	\$513,875	\$ 5,652,627	\$4,561,720	\$ 10,214,347	\$ 2,632,533
\$12,846,880	50%	\$6,423,440	\$642,344	\$ 7,065,784	\$4,561,720	\$ 11,627,504	\$ 1,219,376
\$12,846,880	60%	\$7,708,128	\$770,813	\$ 8,478,941	\$4,561,720	\$ 13,040,661	\$ (193,781)
\$12,846,880	70%	\$8,992,816	\$899,282	\$ 9,892,098	\$4,561,720	\$ 14,453,818	\$ (1,606,938)
\$12,846,880	75%	\$9,635,160	\$963,516	\$ 10,598,676	\$4,561,720	\$ 15,160,396	\$ (2,313,516)

*Savings can never be guaranteed!

A. Construction & Contractor's Insurance: Tools for Evaluating Your Options

Item	Amount
Estimated Budget	\$ 349,100,000
Estimated Payroll %	19%
Est. Payroll @23% Payroll	\$ 66,329,000
Exp. Credit per \$100 Payroll	\$ 12.00
	\$ 7,959,480
Estimated Fixed Rate	\$ 4.00
	\$ 2,653,160
Umbrella/Excess	\$ 600,000
Administration Cost	\$ 700,000
Total Fixed Cost	\$ 3,953,160
Max Loss Aggregate	12%
	\$ 7,959,480

IV. Rolling Program-Lower Payroll & Credit Prediction

Credit	L/R	Losses	Loss Exp.	Total Loss	Total Fixed	Total Cost	Total Est. Savings*
\$ 7,959,480	0%	\$ -	\$ -	\$ -	\$3,953,160	\$ 3,953,160	\$ 4,006,320
\$ 7,959,480	10%	\$ 795,948	\$ 79,595	\$ 875,543	\$3,953,160	\$ 4,828,703	\$ 3,130,777
\$ 7,959,480	20%	\$1,591,896	\$159,190	\$ 1,751,086	\$3,953,160	\$ 5,704,246	\$ 2,255,234
\$ 7,959,480	25%	\$1,989,870	\$198,987	\$ 2,188,857	\$3,953,160	\$ 6,142,017	\$ 1,817,463
\$ 7,959,480	30%	\$2,387,844	\$238,784	\$ 2,626,628	\$3,953,160	\$ 6,579,788	\$ 1,379,692
\$ 7,959,480	40%	\$3,183,792	\$318,379	\$ 3,502,171	\$3,953,160	\$ 7,455,331	\$ 504,149
\$ 7,959,480	50%	\$3,979,740	\$397,974	\$ 4,377,714	\$3,953,160	\$ 8,330,874	\$ (371,394)
\$ 7,959,480	60%	\$4,775,688	\$477,569	\$ 5,253,257	\$3,953,160	\$ 9,206,417	\$ (1,246,937)
\$ 7,959,480	70%	\$5,571,636	\$557,164	\$ 6,128,800	\$3,953,160	\$ 10,081,960	\$ (2,122,480)
\$ 7,959,480	100%	\$7,959,480	\$795,948	\$ 8,755,428	\$3,953,160	\$ 12,708,588	\$ (4,749,108)

*Savings can never be guaranteed!