

Construction Projects: Builders Risk Analysis (02/15/2013)

Risk Management has determined that using County's CSAC-EIA Property MOC to provide course of construction/builders risk coverage best reduces the risk and is more cost efficient than requiring contractors to provide the coverage.

Analysis:

1. County's Toolkit has not changed the basic concept. Prior versions of Document 00821 obligated the County to provide builders risk coverage.
2. Cost effective: coverage up to \$50M is included at no cost in our property MOC. The cost would be passed on to County if the contractor purchased the coverage.
3. Better protection: our policy is broader and covers more perils than any policy a contractor could obtain in the commercial insurance marketplace. Examples are flood and, for scheduled properties, earthquake.
4. Coverage is automatically provided for materials and supplies in transit and in storage, as well as at the job site.
5. All parties who might have a financial interest in the property (County; contractor and subcontractors of all tiers), are insured as long as we are contractually obligated to cover them. The Templates 1 & 2 impose this obligation on the County.
6. Reduces workload: we do not have to vet the contractor's course of construction insurance for compliance and adequacy.
7. The contractor is responsible for the first part of our deductible; we fund the rest. The contractor's portion increases with the project's contract value.
8. The February 2013 revision of Templates 1 & 2 doubles the contractor's responsibility for the flood and earthquake deductibles. The official explanation of the CSAC-EIA flood deductible is attached.