

September 1, 2006

INSURANCE INFORMATION NOTICE 2007-2

**BUILDER'S RISK COVERAGE CHANGES
EFFECTIVE JULY 1, 2006**

Insurance Information Notice 2007-2 supercedes Insurance Information Notice 2006-5 dated December 5, 2005.

As already previously reported in Insurance Information Notice 2006-5, beginning January 1, 2006, the Office of Risk Management (ORM) discontinued providing builder's risk coverage on behalf of contractors/vendors for all construction and renovation projects. This will continue indefinitely.

ORM is in the process of obtaining flood insurance policies through the National Flood Insurance Program (NFIP) for properties below the I-10/12 corridor that are either in a special flood hazard area (Class A or V) or have had previous damage in a declared disaster (Hurricanes Katrina or Rita). **For rebuild projects south of this I-10/12 corridor, the Contractor will NOT provide flood insurance while the project is under construction. For properties north of the I-10/12 corridor, the Contractor will be required to carry flood insurance along with the builders risk coverage on projects under construction.**

A large majority of construction projects are processed through the Facility Planning & Control Section (FP&C) and the Office of State Purchasing Section (OSP) of the Division of Administration. FP&C and OSP are changing their construction contracts/bid documents accordingly. If your agency does not utilize FP&C or OSP for construction contracts/bids, you should take immediate steps to change your contracts/bid documents. If the contractor/vendor does not provide the builder's risk and flood coverage on these projects as required, your agency may have to assume the loss.

ATTACHED AS PAGE 2 OF THIS NOTICE IS SUGGESTED BID CONTRACT VERBIAGE.

ORM is still requesting that copies of all "Notices of Acceptance" for projects involving the construction of a new building/structure must continue to be forwarded to our office. This will enable ORM to keep abreast of construction of new buildings/structures and take appropriate action to include the new buildings/structures under the scheduled property coverage once the building/structure has been accepted as complete.

If you have any questions, please contact Mona Propes at (225)342-8468 or Stanley Torkowski at (225)342-8470.

**Revised Contract Verbiage for
Builder's Risk Coverage**

The General Contractor shall purchase and maintain property insurance upon the entire work included in the contract for an amount equal to the greater of the full-completed value or the amount of the construction contract including any amendments thereto. The general contractor's policy shall provide "ALL RISK" Builder's Risk insurance (extended to include the perils of wind, collapse, vandalism/malicious mischief, and theft, including theft of materials whether or not attached to any structure.) The "All Risk" Builder's Risk Insurance must also cover architects' and engineers' fees that may be necessary to provide plans and specifications and supervision of work for the repair and/or replacement of property damage caused by a covered peril not to exceed 10% of the cost of those repair and/or replacements.

Flood coverage shall be provided by the Contractor on the first floor and below for projects North of the Interstate Corridor beginning at the Texas - Louisiana border at Interstate 10 East to the Baton Rouge junction of Interstate 12, East to Slidell junction with Interstate 10 to the Louisiana - Mississippi border. Flood sub-limit shall equal an amount no lower than ten percent (10%) of the total contract cost per occurrence. Coverage for roofing projects shall **not** require flood coverage.

On projects South of this corridor, flood coverage shall be provided by the State of Louisiana, as the owner, through the National Flood Insurance Program (NFIP). The Contractor will be liable for the \$5,000 deductible on the NFIP policy from the Notice to Proceed date through the Notice of Final Acceptance date of the project.

A specialty contractor shall purchase and maintain property insurance upon the system to be installed for an amount equal to the greater of the full-completed value or the amount of the contract including any amendments thereto. The specialty contractor may provide an installation floater with the same coverage as the "ALL RISK" Builder's Risk insurance policy.

The policy must include the interest of the Owner, Contractor and Subcontractors as their interest may appear. The contractor has the right to purchase coverage or self-insure any exposures not required by the bid specifications, but shall be held liable for all losses, deductibles, self-insurance for coverages not required.

Policies insuring projects involving additions, alterations or repairs to existing buildings or structures must include an endorsement providing the following:

In the event of a disagreement regarding a loss covered by this policy which may also be covered by the State of Louisiana policy of self-insurance or any commercial property insurance policy purchased by the State of Louisiana, Office of Risk Management (ORM) covering in excess of the State of Louisiana, policy of self-insurance, this company agrees to follow the following procedure to establish coverage and/or the amount of loss:

Any party to a loss may make written demand for an appraisal of the matter in disagreement. Within 20 days of receipt of written demand, this company and either ORM or its commercial insurance company shall each select a competent and impartial appraiser and notify the other of the appraiser selected. The two appraisers will select a competent and impartial umpire. The appraisers will then identify the policy or policies under which the loss is insured and, if necessary, state separately the value of the property and the amount of the loss that must be borne by each policy. If the two appraisers fail to agree, they shall submit their differences to the umpire. A written decision by any two shall determine the policy or policies and the amount of the loss. Each insurance company (or ORM) agree that the decision of the appraisers and the umpire if involved will be binding and final and that neither party will resort to litigation. Each of the two parties shall pay its chosen appraiser and bear the cost of the umpire equally.