



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF RISK MANAGEMENT

KATHLEEN BABINEAUX BLANCO
GOVERNOR

JERRY LUKE LEBLANC
COMMISSIONER OF ADMINISTRATION

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INSURANCE INFORMATION NOTICE 2006-5

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

Beginning January 1, 2006, the Office of Risk Management (ORM) will discontinue providing builder's risk coverage on behalf of contractors/vendors for all construction and renovation projects. ORM will continue to provide coverage for those projects currently scheduled. If a project has already been bid with the State of Louisiana providing the builders risk coverage, ORM will honor those bids and provide the coverage as stated.

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 to require that the contractor/vendor (in lieu of the State of Louisiana) provide builder's risk coverage on ALL construction projects commencing after January 1, 2006. If the contractor/vendor does not provide the builder's risk coverage on these projects, your agency may have to assume the loss.

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

Irregardless of the above change, copies of Notices to Proceed and Notices of Acceptance for projects involving the construction of a new building/structure must continue to be forwarded to ORM. 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 blanket property coverage once the building/structure has been accepted as complete.

Projects already scheduled on the current policy/coverage provided through ORM will continue to be covered until ORM receives notification of acceptance of the projects as complete. Any projects that fall into the gap, where the bid was processed right before the release of this notice, will be covered by ORM. **These qualifying projects must be reported to ORM and scheduled/endorsed onto the policy for coverage to be in place.**

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

J. S. Thompson, Jr.
State Risk Director

**Suggested Contract Verbiage for
Builder's Risk Coverage Only**

A 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 (with the exception of the following sub-limit for flood.) The general contractor's policy shall provide "ALL RISK" Builder's Risk insurance (extended to include the perils of flood, collapse, vandalism/malicious mischief, and theft, including theft of materials whether or not attached to any structure.) Flood sub-limit shall equal an amount no lower than ten percent (10%) of the total contract cost per occurrence. 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. On projects South of this corridor, flood coverage shall be required on the first and second floors and below. Coverage for roofing projects shall **not** require flood coverage. 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.

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.

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.