

## Consultation Comments and Responses on SSP100F28 (Contractor's Insurance)

Comments	Responses
<p>A contractor's equipment is insured for the entire company, all of the time, regardless of the project. Owners and CA's are listed as additional insured on policies for each project. Why, and I am not even sure it is possible to get policies with joint names of the Owner and CA.</p>	<p>The requirement for the Contractor to obtain a policy in the joint names of the Owner and CA for contractor's equipment insurance has been removed from the standard special provision.</p>
<ul style="list-style-type: none"> <li>• Define what hard and soft costs are.</li>   <li>• When will it be required? There is a tendency for it to be requested in the incorrect circumstance.</li>   <li>• What is the builders risk covering, there are many items and activities in a contract that a builders risk policy does not cover, i.e. other insurance, topsoil, field office, many road items, interest.</li>   <li>• Do not make the deductible too low.</li> </ul>	<p>Hard and soft costs will not be defined in the standard special provision. The insurance industry understands what hard and soft costs include, as they relate to builder's risk insurance. These costs are defined in the policy. It is more important to state that the values include both instead of providing examples.</p> <p>The warrant provides guidance to designers when builder's risk insurance may be required so that this coverage is requested in the correct circumstance.</p> <p>Coverage will be dependent on the scope of work and Contractor's will be required to carry appropriate coverage for that project.</p> <p>The ministry will not be setting a minimum deductible for builder's risk insurance. The deductible amount for this coverage is a Contractor decision, as it is their self-insured retention. The indemnity applies no matter what the deductible is.</p>
<ul style="list-style-type: none"> <li>• "Wrap-up insurance is suitable for very large projects ..." What is large and very large defined as?</li>   <li>• Do not make the deductible too low.</li> </ul>	<p>The warrant provides that a typical large/very large project is &gt;\$10M. However, the designer, in consultation with others, will determine if wrap-up insurance is required.</p> <p>The ministry will not be setting a minimum deductible for builder's risk insurance. The deductible amount for this coverage is a Contractor decision, as it is their self-insured retention. The indemnity applies no matter what the deductible is.</p>
<p>There needs to be an Insurance Item in the tender.</p> <ul style="list-style-type: none"> <li>• Most existing policies required, and now these new policies are paid up front, there has to be a mechanism to pay for them at</li> </ul>	<p>The ministry is not currently considering adding Contractor-carried insurances as a tender item. The ministry is open to future review of this item.</p>

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<p>the time the invoices are received by the contractor (prior to arriving on site).</p> <ul style="list-style-type: none"> <li>All builders risk policies, most wrap-up policies, and many environmental policies are a function of both time and volume, if the project is extended and/or value increased there has to be an item to refer to and a mechanism to compensate the contractor for changes to scope at the time of tender and original policy purchased.</li> </ul>	<p>If additional time or cost can be demonstrated by the Contractor, there are contract provisions available for the Contractor to seek compensation.</p>
<p>Insurance requirements (such as property, pollution liability and wrap-up general liability) should be specified not left to “This insurance shall be in a form acceptable to the Owner” which is subjective and undetermined. It is impossible to price that in the market and results in an uneven playing field (assumptions made) for bidding and potential disputes after bid and award. Extensions, permitted exclusions and sub limits should be specified.</p>	<p>The intent is for the ministry to specify relevant insurance types, coverages and deductibles as appropriate, on a contract-specific basis that protects all parties to the contract.</p> <p>It is the ministry’s decision to keep this requirement in the standard special provision, as it gives the Contractor flexibility to obtain the appropriate insurance coverages from their preferred surety to meet the contract requirements.</p> <p>The ministry is unaware of any past situations where required Contractor’s insurance was in an unacceptable form.</p>
<p>Deductible of 1% maximum should be noted as “where commercially available”. It is achievable on the large projects, but there will be minimum deductibles applicable on smaller projects.</p>	<p>All risks property insurance section of the standard special provision has been edited to add “..., <i>where commercially available.</i>” to the end of the first sentence.</p>
<p>It is asking for coverage to be in the “joint names of the Contractor, the Owner and the Contract Administrator”. This is acceptable only for the Builders Risk and the Wrap Up (and is understood to mean named insureds), but not for the other coverages listed. By asking for this on the other coverages, the Contractor will not be able to evidence their Corporate Policies and will have to procure project specific Policies for each line of coverage – this would not be good value for money, costly and unreasonable. Only Additional Insured status should be provided for the Owner and the Contract Administrator for these other Policies.</p>	<p>The standard special provision has been edited to require only builder’s risk insurance and wrap up insurance to be in the names of the Contractor, the Owner and the Contract Administrator.</p>
<p>It is asking for Replacement Cost coverage on buildings that are already in use for its intended purpose. The</p>	<p>All risks property insurance requirement protects ministry interests and assets when the Contractor is required to insure a building.</p>

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<p>Contractor should not be responsible to insure a building that is operational other than for damage caused to the building as a result of their operations, which would then be a Liability issue not a First Party issue.</p>	<p>It was brought to the attention of the ministry that all risks property insurance was being improperly required on contracts when builder's risk insurance was the appropriate coverage. With enhanced and clearer notes to designer, it is anticipated that appropriate use of these two insurances will result.</p>
<p>Builders Risk insurance requirements are unclear in stating "not less than 100% of the hard construction costs plus at least 25% of the total soft construction costs forming part of the Work". The Contract Price will include hard and soft costs to perform the Contract to completion. Typically, the declared value for underwriting is the Contract Price, i.e., the price for the Work, unless there are specific soft costs in addition to the price of the Work such as delay in start up and recurring/continuing soft costs. The Contractor will want all hard and soft costs covered to reinstate and complete in the event of a loss. It is assumed that only the price of the Work is the basis for declared value and coverage, unless MTO specifically wants other "soft costs" included in coverage (and if it does it will have to declare those values for coverage). It is presumed this is not what MTO wants as this would pose a conundrum to bid.</p> <p>- Please clarify</p>	<p>For clarification, it is the intent of builder's risk insurance coverage to equal the contract price. The standard special provision, including the warrant, have been edited to clarify the coverage.</p>