


Owner provided builder's risk insurance coverage checklist for contract negotiations.



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1. General Contractor and Subcontractors of Every Tier should be included as Named Insureds on the policy.
2. General Contractor should CONTRACTUALLY require the Owner to provide them with an ACORD Evidence of Property (Builder's Risk) Insurance evidencing the coverage provided prior to the start of work on the project, and also be furnished with a certified copy of the policy as soon as it is available.
3. General Contractor should require the Owner to CONTRACTUALLY accept the responsibility for the following items:
 - a. The Policy's deductibles: Since the Owner is selecting the deductibles, the Owner should be responsible for them. However, the Owner may legitimately make the Contractor and/or the Subcontractor responsible for the deductibles, if the loss results from the negligence of the Contractor and/or Subcontractor.
 - b. The uninsured Loss: For example, if a theft, flood, or earth movement loss occurs and the Owner has only selected to insure named perils i.e. fire and extended coverage, the Owner should then be responsible for losses which are not insured.
 - c. The underinsured Loss: This situation could result, for example, when the original contract amount, through change orders, balloons to a much higher amount, and the policy's limit of liability is not increased accordingly. If a total loss occurs near project completion there would be a substantial underinsured loss. Another example would be where the policy has aggregate limits for certain perils, such as earth movement or flood. A loss during the policy period reduces the limits of liability available for future losses unless the limits are automatically reinstated by policy provisions. A substantial underinsured loss could result.
4. The policy should contain a waiver of subrogation provision.
5. Coverage should be provided on the policy for property in transit and/or property located at offsite storage locations, with adequate limits of liability for the respective exposure to loss.
6. The policy should grant Permission to Occupy, allowing the building or structure to be partially occupied prior to completion, without detrimental effect to the coverage being provided.
7. The policy should provide coverage for the perils of earth movement and flood.
8. The policy should include coverage for the testing and startup of the building's operating systems.

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9. Coverage should be provided in the amount of the initial contract sum, as well as subsequent modifications in the contract sum. Coverage should also be included for the 100% replacement cost value of any materials, equipment, and supplies, which are to be incorporated into the completed facility, where the value was not included in the contract sum for the project. These items should be covered while stored at the manufacturer/supplier, and during transit to the jobsite. For projects which include purchase and shipment of materials/equipment from outside of the United States, the owner should be required to purchase "All Risk" Marine Cargo Insurance, including coverage for "reprocurement expense" and loss of profits for the loss exposures associated with Ocean Marine transport.
 10. For the Owner's and General Contractor's protection, the policy should include at a minimum, resultant damage coverage for loss due to faulty workmanship and defective material. If available, the policy should also include coverage for resultant damage due to faulty design, plans, or specifications.
 11. You may wish to counsel the Owner by recommending the Builder's risk carrier have an A.M. Best's Rating of AV or better.
 12. All losses should be adjusted with the Owner and General Contractor, with Losses also paid to both parties.
 13. The policy should include coverage for owner's loss of use/business interruption exposure arising out of a covered peril loss, which delays the project's completion.
 14. Remodel/renovation projects should have the contracts carefully reviewed by Parker, Smith & Feek, to determine the extent of your liability for damage/destruction to existing property owned by others, and located at, adjoining, or adjacent to the project site.
 15. These checklist guidelines are valid whether the policy is to be provided by the Owner, Developer, if different from the Owner, the Construction Manager, or Prime Contractor.