

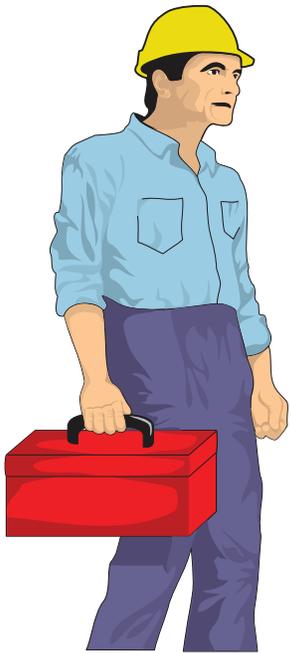


PARTNERING WITH TOWNSHIPS

TOWNSHIP OFFICIALS OF ILLINOIS RISK MANAGEMENT ASSOCIATION

RISK REMINDER

What is “Builders Risk” and Why is It Called That?



Members frequently ask us about providing coverage for a building that is to be constructed for a municipality. We consistently advise our members that they should require the builder (general contractor) to provide Builders’ Risk insurance as part of the bid specs. Builders’ Risk insurance, as its name implies, is a type of coverage designed for the unique hazards a builder faces while constructing a building. Our coverage grants do have a provision for coverage for buildings ‘in the course of construction’. While this is similar to Builders’ Risk insurance, there are a number of significant differences. Our coverage is designed to protect the interests of the member municipality, not those of the contractor. Sound risk management by the contractor can minimize many risks associated with a construction project. If the contractor is providing the Builders’ Risk insurance the incentive is greater for him to take all precautions to minimize his losses. It is therefore in the best interests of both parties for the builder to carry the Builders’ Risk insurance. Before your municipality undertakes its next construction project, please consult us about including Builders’ Risk insurance in the bid specs.

Contractual Liability and Indemnification Contracts

On a similar subject, we advise our members to let us review contracts that contain indemnification clauses before they are signed. Often we see our municipal members signing contracts that obligate them to “protect and indemnify” the other party against all circumstances including things for which the other party is totally at fault! In other words, you may be agreeing to be responsible not only for your own wrongdoings, but for those of others. It is quite usual to see contracts that require one party to protect the other in the event it does something that results in both being sued. In order to minimize your exposure and protect your financial interests, please ask us to look at these contracts. This is not intended to take the place of a review by your municipal attorney.

Remember, there is no charge for calling us or taking advantage of any of our loss control and risk management services.

For more information, contact your Loss Control Consultant at (800) 252-5059, ext. 1387 or 1384.

CLAIM REPORTING HOTLINE (844) 562-2720 | Available 24/7