

BONDING REGULATION
&
INSURANCE REQUIREMENTS
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- Two Key Points today
 - DOI now regulates construction sureties
 - Builders Risk does not automatically cover wind and flood



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- What is Construction Bonding (Surety)



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- Three types of construction bonds



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- House Bill 738

BIG



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- Now what?
- DOI Regulates
- General Contractors & Sureties Must Respond Differently
- Bad Faith/Unfair & Deceptive Trade Practices?
- No NC case law – yet!

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- Ogilvie
 - Quality Bonds
 - AM A Best Rating or Better
 - Contact DOI



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- Market Conditions
 - Contractors
 - Guarantors – Bonding Companies
 - Funding
 - Subcontractors



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- Builders Risk and General Liability Insurance



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- **Property Insurance (Builder's Risk/Installation Floater)**
- The contractor shall purchase and maintain property insurance during the life of this contract, upon the entire work at the site to the full insurable value thereof. This insurance shall include the interests of the owner, the contractor, the subcontractors and subsubcontractors in the work and shall insure against the perils of fire, extended coverage, and vandalism and malicious mischief. If the owner is damaged by failure of the contractor to purchase or maintain such insurance, then the contractor shall bear all reasonable costs properly attributable thereto; the contractor shall effect and maintain similar property insurance on portions of the work stored off the site when request for payment per articles so includes such portions.

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- Builder's Risk (also known as Course of Construction) is a type of property insurance. It provides coverage for physical damage to the insured structure during the course of construction. Coverage is also extended to construction materials at the job site that will become a permanent part of the structure. The builder's risk policy will pay for damages up to the coverage limit. The limit must accurately reflect the total completed value of the structure (all materials and labor costs, but not including land value). The construction budget is the best source for determining the appropriate limit of insurance.

The policy will provide coverage for damage done to the insured structure from a wide variety of events. Damage from the following events will be covered by most policies:

- Fire
- Wind (may be limited in coastal areas)
- Theft
- Lightning
- Hail
- Explosion
- Vandalism
- Vehicles/Aircraft

- No insurance policy covers everything. You should read your course of construction policy to be familiar with its limitations and exclusions. Standard exclusions include earthquake, employee theft, flood and other water damage, weather damage to property in the open, war, government action, contract penalty, voluntary parting and mechanical breakdown. Earthquake and flood coverage may be purchased in some areas. Your quote will indicate if they are included in the policy offered from the insurance company.

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- Coastal Counties – Tier 1
- Currituck
- Camden
- Pasquotank
- Chowan
- Washington
- Tyrell
- Dare
- Hyde
- Beaufort
- Craven
- Pamlico
- Jones
- Carteret
- Onslow
- Pender
- New Hanover
- Brunswick



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- SPECIFICALLY ADD WIND AND FLOOD
 - ARCHITECTS SPECIFY
 - OWNERS REQUIRE
 - CONTRACTORS PURCHASE
 - AGENTS ASK

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- General Liability
- **Public Liability and Property Damage**
- The contractor shall provide and maintain, during the life of the contract, comprehensive general liability insurance, including coverage for premises operations, independent contractors, completed operations, products and contractual exposures, as shall protect such contractors from claims arising out of any bodily injury, including accidental death, as well as from claims for property damages which may arise from operations under this contract, whether such operations be by the contractor or by any subcontractor, or by anyone directly or indirectly employed by either of them and the minimum limits of such insurance shall be as follows:
 - Bodily Injury: \$500,000 per occurrence
 - Property Damage: \$100,000 per occurrence / \$300,000 aggregate
 - In lieu of limits listed above, a \$500,000 combined single limit shall satisfy both conditions.
 - Such coverage for completed operations must be maintained for at least two (2) years following final acceptance of the work performed under the contract.

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- The work under this contract shall not commence until the contractor has obtained all required insurance and verifying certificates of insurance have been approved in writing by the owner. These certificates shall contain a provision that coverages afforded under the policies will not be cancelled, reduced in amount or coverages eliminated until at least thirty (30) days after mailing written notice, by certified mail, return receipt requested, to the insured and the owner of such alteration or cancellation.

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