



INSURANCESOLUTIONS

CONSTRUCTION INSURANCE PROGRAM



Construction Insurance Program

A construction site gives rise to a variety of risks and exposures which are not typically encountered in day-to-day operations. The high level of activity, the use of heavy machinery, the presence of raw materials, and sometimes a more unsecured premise all add to the likelihood of a loss. Not to mention the involvement of multiple contractors and subcontractors who may also be working alongside one another. Construction sites are filled with hazards and losses can occur resulting in damaged property, injured people and costly construction project delays.

MEARIE offers project-based property and liability insurance, specifically designed to protect your interests and cover losses during the course of a construction project.

If you are planning an initiative to construct a building or an addition, or any other major structure (including distribution infrastructure), you may need additional insurance coverage.

Don't automatically assume your standard liability or property policy will cover you for a construction project. There are many differences between your standard liability and property insurance, and the type of coverage you require during a construction job. It's likely you will require additional coverage and MEARIE's Construction Insurance Program is designed to meet your needs.

The Construction Insurance Program includes Course of Construction Property Insurance, Wrap-Up Liability and Surety Bonds, as required.

Consider MEARIE for Your Next Construction Project

- MEARIE already insures at least some part of your operations
- Competitive premiums
- Each project is underwritten individually, project-by-project, to meet your requirements
- MEARIE is a leader in the electrical industry with over 30 years of experience in insurance and customer satisfaction

Course of Construction Insurance

Construction Insurance is project-based insurance that covers both your property during the course of construction as well as losses impacting the property of others.

This insurance is used to protect property and assets through the course of all the phases of a construction project. Your standard property insurance policy, which covers your assets during regular operations, may not cover a location or situation where new construction is underway. A construction site gives rise to a variety of risks and exposures which are not typically encountered in day-to-day operations. Therefore, project-based property insurance coverage, separate from your standard property insurance coverage, is required.

Should any of the insured property or equipment be damaged or lost during the period of construction due to an insured peril, MEARIE will indemnify the insured for these losses up to the full value of the project.

“Soft costs” are also covered. Soft costs are expenses incurred as a result of a delay of business caused by loss or damage to a structure or property during the course of a construction project. These costs include interest expense on financing and lease renegotiations related to the project, taxes and labour costs. As construction projects lengthen and the financing techniques differ, companies are becoming more and more interested in protecting against ballooning soft costs. This type of protection greatly reduces risks for companies engaging in construction because not only are they covered for physical damage, but also for potential financial losses.

As every project and the amount of risk inherently differs, MEARIE will take into account any variables distinct to your construction and build a package around your conditions and requests.

What Happens When the Job is Complete?

Once the job is complete, the finished project will be covered under MEARIE’s Liability, Property and Vehicle Insurance policies. This can eliminate any potential gaps in coverage, reducing complications that result from holding policies across various insurers.

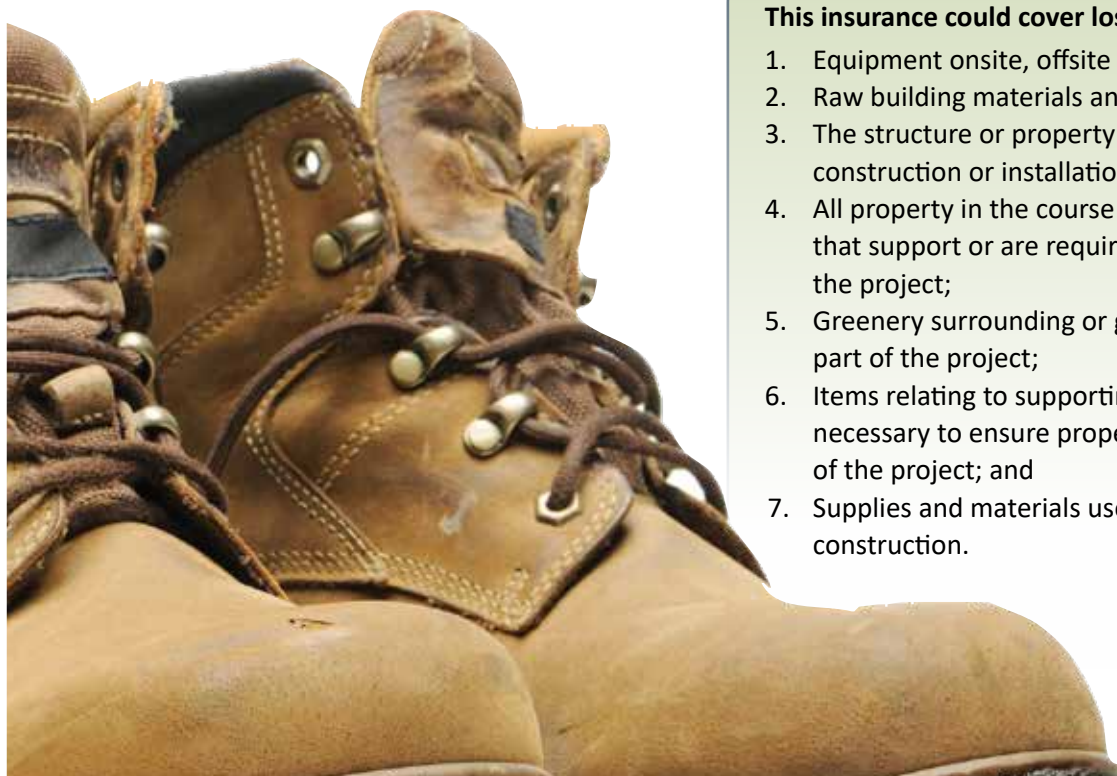
Perils Insured/Exclusions:

Course of construction insurance usually indemnifies against losses due to fire, lightning, impact by vehicle or aircraft, riot, strike, vandalism, theft and malicious acts, and includes coverage for debris and property removal. This policy covers you specifically for loss or damage to property in transit (depending on ownership) or property in the course of construction. It excludes coverage for earth movement, flood, acts of war, or mechanical or electrical breakdown.

The policy term spans the construction period only, and terminates when work is complete and the property is ready for use or occupancy.

This insurance could cover lost or damaged property, including:

1. Equipment onsite, offsite and in transit;
2. Raw building materials and partially constructed structures;
3. The structure or property itself, through the course of construction or installation;
4. All property in the course of construction or installation that support or are required in part for the completion of the project;
5. Greenery surrounding or grown, with the intent to form part of the project;
6. Items relating to supporting construction, or excavations necessary to ensure proper conditions for the completion of the project; and
7. Supplies and materials used during the course of construction.



Wrap-up Liability Insurance

Through the course of a construction project, there may be many parties involved in getting the job done – the owner, developers, engineers, architects, project manager and contractors – all have a role to play and have certain liability exposures as they perform their work.

Wrap-up Insurance:

- Covers for bodily injury, property damage, or personal injury liability against a third party
- Is designed specifically for each project, based on the parties involved
- Is a standalone policy thereby simplifying the process of coverage
- Requires only one claim on behalf of the insured
- Involves only one insurer
- Can allow smaller parties to be covered under higher policy limits

Wrap-up provides a simpler approach to insurance for a construction project.

As there are many parties involved in a project, instead of each party being responsible for their own comprehensive liability policy, the wrap-up is intended to bring the work force together under one package.

While a standard general liability policy may only include the general contractor or the project owner, a wrap-policy may include:

- The Owner
- Developers
- Engineers
- Architects
- Project Manager

In the event of a claim, separate CGL policies may lead to disputes among project participants as a result of different coverages, benefits and policy terms.



Surety Bonding

When an LDC is acting as the general contractor on a project, a surety bond may be required to protect the interests of the contract. Surety bonds – while very similar and often offered by insurance companies – are structured differently and are not insurance contracts.

A surety involves three parties – a principal, an obligee, and the surety. The principal is the party performing a task for which the contract is struck. The obligee is the party expecting the contract (and contracted task) to be performed/fulfilled as agreed. The surety is the bonding company providing the “assurance” that the contract will be fulfilled.

There are three types of contract bonds: bid bonds, performance bonds and payment bonds.

Bid Bond:

The bond acts as a guarantee that, if awarded the contract, the contractor will enter into and fulfill all obligations of the contract. Should the contractor withdraw their bid, the obligee will be reimbursed the difference between the defaulting contractor’s bid and the next lowest bid.

Performance Bond:

A performance bond insures the project owner (obligee) the job is completed according to the terms agreed upon in the contract. If the principal fails to complete the task agreed upon, the obligee is protected by the performance bond against costs of completion, and costs of reconstruction.

Payment Bond:

A payment bond is designed to pay laborers, suppliers, and other contract-related costs a contractor owes to third parties should they default on such obligations. Surety bonds ensure the project is completed while offering financial security against shortcomings or deviations from the contract.

Surety bonds ensure the project is completed while offering financial security against any shortcomings or deviations from the contract.



The MEARIE Group develops and offers *insurance, financial and business solutions* to the electricity distribution sector. Created in 1987 to provide members with more control over their insurance coverages and costs; more than twenty-five years on, we are one of the most successful reciprocal insurance exchanges in existence today and continue to

demonstrate the unity that originally brought us together. Services include: property/casualty insurance, group benefits, credit insurance, human resource services, trades, professional and management training, industry conferences and a variety of financial and business solutions – *all targeted expressly to the electricity sector.*



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