

THE INSURANCE ADVISOR

For America's Churches and Related Ministries from Brotherhood Mutual and Its Agents

BUILDING PROJECTS REQUIRE SPECIAL INSURANCE PROTECTION

ISSUE 20—WHAT KINDS OF INSURANCE DO YOU NEED WHEN YOU BUILD?

Building projects create additional risks, so make sure you have proper coverage before you build.

Before your church or ministry starts a building project, you need to understand and manage the additional risks and responsibilities created by this work.

BUILDER'S RISK COVERAGE

Clarify in writing who's responsible for insuring the building while it's being constructed. Either you *or* the contractor will need to purchase *builder's risk* coverage to insure the new building or addition during the construction phase. After the project is completed or occupancy begins, you'll want to cancel the builder's risk coverage and endorse the building onto your policy.

CERTIFICATE OF INSURANCE

Obtain a *certificate of insurance*, indicating that the contractor has workers' compensation, general liability, and automobile insurance in force, with liability limits of at least \$1 million.

Ask the contractor to name your organization as an additional insured on the liability certificate of insurance. This gives you additional protection. If the contractor is providing builder's risk coverage, ask him to indicate it on the property certificate of insurance. (You may want to secure a copy of his builder's risk policy for your records.)

INDEMNIFICATION

Check the construction contract for references to indemnification—making compensation for injury, loss, or damage covered by insurance. Make sure the contractor will indemnify, defend, and hold you harmless. If there is no such reference in the contract, ask to have it included.



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Be sure to ask the contractor for a current certificate of insurance, proving he has the required coverage.

WORKERS' COMPENSATION

Either you or the contractor must provide *workers' compensation* coverage to protect the paid laborers performing construction work. If you hire a subcontractor who doesn't carry workers' compensation insurance, under most state laws, you as the project owner are held responsible for work-related injuries to the contractor's employees. Never use uninsured subcontractors. If you did, you would be billed a substantial amount of additional premium for the construction workers' compensation exposure.

If you do the construction work yourself, using volunteer or donated labor, your insurance program provides no workers' compensation insurance and only a limited medical benefit (usually

between \$500 and \$5,000) for an injury sustained by a volunteer providing donated labor. Volunteers need to know that after primary medical coverage is exhausted, they will be responsible for their own medical expenses if they're injured on your construction project. Workers' compensation coverage for construction workers can run into many thousands of dollars. You should fully explore this before deciding to undertake the work yourself. Often, after the workers' compensation premium is factored in, a church finds it is not cost effective to complete the construction itself.

Because of the risks involved in construction, Brotherhood Mutual encourages you to leave construction work to professionals, not volunteers.

WHAT IS A CERTIFICATE OF INSURANCE?

A certificate of insurance verifies that an organization has appropriate insurance coverage. It ensures that all parties can be responsible for their own negligence, keeping your insurance costs as low as possible by not paying for someone else's claims.

When is a certificate necessary?

You'll want to obtain a certificate of insurance when contractors are doing work on your behalf.

You'll also need a certificate of insurance when you're leasing or loaning your facility

to another organization (for example, when Alcoholics Anonymous, Weight Watchers, or another church asks to use your facility).

What should a certificate contain?

The certificate should show evidence of all types of insurance, including policy numbers, limits, and terms. Make sure your church or organization is listed as an additional insured.



Brotherhood Mutual
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