

Building Projects Require Special Insurance Protection

What coverage do you need for construction?

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 get 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.

Workers' Compensation Coverage

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.

Why a Certificate of Insurance?

A certificate of insurance verifies that an organization has appropriate coverage. It ensures that all parties have coverage for their own negligence. You'll need such a certificate when contractors are doing work on your behalf.

In addition, you'll need a certificate of insurance when you're leasing or loaning your facility to another organization, whether a public or private group. There should also be an indemnification agreement for such situations. Ask outside organizations to sign a "use of facilities" form, available from Brotherhood Mutual[®].

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