

Whether your organization is planning to add an addition to an existing structure or building a new stand-alone structure, you need to consider insurance for both the property as well as liability. The type of coverage you need to add to your policy is called Builders' Risk Insurance. Your insurance limit should be equal to the estimated replacement cost of the addition or building once it is completed. However, a good agent will do a replacement cost estimate on the project to insure your project is insured properly. Our agency does this every time I write Builders' Risk coverage. Religious organizations may get a building or addition built cheaper than the actual cost to re-build would be after an insurable loss. Some examples of this are things like a member or members donate their skill and labor for free or local supply stores may provide a discount on materials. There is never a guarantee that your organization would receive any of the same labor or a discount if you needed to reconstruct the building after a loss occurs.

Your organization needs to decide how the building will be built. Some of the traditional ways are as follows:

1. Act as a General Contractor and hire all sub-contractors.
2. Hire a General Contractor to handle the entire job start to finish.
3. Hire a General Contractor who will be in charge of hiring the sub-contractors to complete the job start to finish.
4. Build the building yourself with 100% volunteer labor.

I have included a two page Supplemental Survey our office will need to complete the process to quote or add coverage to your policy. We will also need to gather the following information:

- Outside dimensions of the new structure.
- If the project is an addition to a current building, we need to understand how the new project connects to the present building. This can be done by showing in a rough sketch how the new structure will be built compared to the existing building.

The General Contractor and all Sub-Contractors should provide a Certificate of Insurance. The certificate should show your organization as Certificate Holder and as "Additional Insured". The certificate should show items such as general comprehensive liability including items such as explosion, collapse and underground damage to property, workers' compensation insurance, automobile liability and umbrella liability. The companies we represent will want a copy of all certificates for the home office file. I have provided on our website a sample copy of a Certificate of Insurance as well as instructions on how to read one. You can find these documents under Certificates of Insurance - How to Read a Certificate of Insurance.

With most construction projects your organization may want to consider getting a Construction Bond from the contractors. There are several types of bond coverages available. Your organization should contact an attorney to find out what specific types you should request from your particular contractor. The bonds most frequently used are:

1. Performance Bond: This bond guarantees the contractor will meet the terms and conditions of your contract or pay a penalty for failing to do so.
2. Labor & Material Payment Bonds: These bonds are used to ensure that workers are paid and materials are paid for, thereby keeping your organization free of liens.

Many lending institutions may require your organization to provide them with a Bond or other types of assurances to qualify for a loan such as “Key Man Life Insurance Coverage.” Many lending institutions require the life insurance because they realize the effect of the loss of the congregation’s religious leader can have on the financial stability of a church. This is also a good idea if you have a member who is funding a good portion of the construction project. If a bond or “Key Man Life Insurance Coverage” is requested of your organization, **our office can help.**

We hope this information is helpful in explaining the key insurance areas your organization needs to consider before starting a building project. Should you have any questions or need additional information, please feel free to contact a member of our office team.