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# SORM Statewide Builder's Risk Insurance Program Overview

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# Today's Agenda

- Overview of SORM Builder's Risk Initiative
- Introduction to Builder's Risk Insurance
- Program Goals & Advantages
- Key Program Elements
- A Success Story
- How to Obtain a Builder's Risk Quote
- Questions & Group Feedback

# SORM Builder's Risk Initiative

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- One of five new insurance lines
- Request by several risk managers
  - *Smaller projects included in the property program, but with certain limitations,*
  - *Larger projects elected to purchase individual policies through SORM's brokers or general contractors*
- Need for a master program specific to construction exposures
- Successful Examples throughout Texas
- Advisory Group formed to help design the program

# Introduction to Builder's Risk Insurance

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Builder's Risk Insurance is property insurance designed to protect an organization's insurable interest in **materials, fixtures and/or equipment** being used in the construction or renovation of a building or structure should those items sustain physical loss or damage from a covered cause of loss. It can also provide coverage for **Soft Costs/Delay in Completion** resulting from a covered cause of loss.

# Introduction to Builder's Risk Insurance

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- State requirement to purchase builder's risk is included in Uniform General Conditions (aka construction contract specifications)
- Purchased by your entity for new construction projects and major renovations
  - *Included in construction hard cost budget*
  - *Typically provided by general contractor*

# Coverage for Soft Costs (Examples)

- Architect & Engineering Fees
- Advertising & Promotional Expenses
- License & Permit Fees
- Insurance Premiums
- Leasing Expenses
- Debt Service / Bond Interest Payments
- Loss of Rents / Rental Value
- Delay in Start-Up / Loss of Other Income

# Builder's Risk Program Goals

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- Cost Savings
- Ease of Administration
- Project Flexibility
- Risk-based Pricing
- Dovetailed Coverage with Property Insurance Program

# Statewide Builder's Risk Advantages

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- **Scale**
  - *Leveraging buying power with insurance carriers to reduce rates and improve coverage terms*
- **Continuity**
  - *Seamless connection between projects from construction phase through final completion*
- **Control of Coverage Terms**
  - *Expanded coverage terms with advisory group feedback to ensure proper coverage*
  - *Owner-furnished equipment, hot testing, off-site storage*
- **Ensuring Adequate Limits**
  - *Avoiding potential issues with contractors sharing single insurance limits across multiple jobs and multiple customers*



# Current Builder's Risk Program Status

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- Program launched on February 1<sup>st</sup>
- Insurance Carrier Panel in place
- Master Terms & Conditions created
- Program flexibility built-in for however, will be modified to each entity's specific requirements

# Key Elements of Program

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- **Insurance Carrier Panel**
- **Flexibility of Deductibles**
- **Per-Risk Limits**
  - *Limits dedicated “per project” to allow for full coverage to each project without sharing of limits*
- **Claims Handling**
  - *Single coordinating claims adjuster much like property program*
- **Risk-based Pricing**
  - *Factors such as geographic location, risk management controls, deductible level, etc. all factored into underwriting of the policy*
- **Expanded Coverage Terms**

# Success Story – University of Houston - Basketball Arena Enhancement Project

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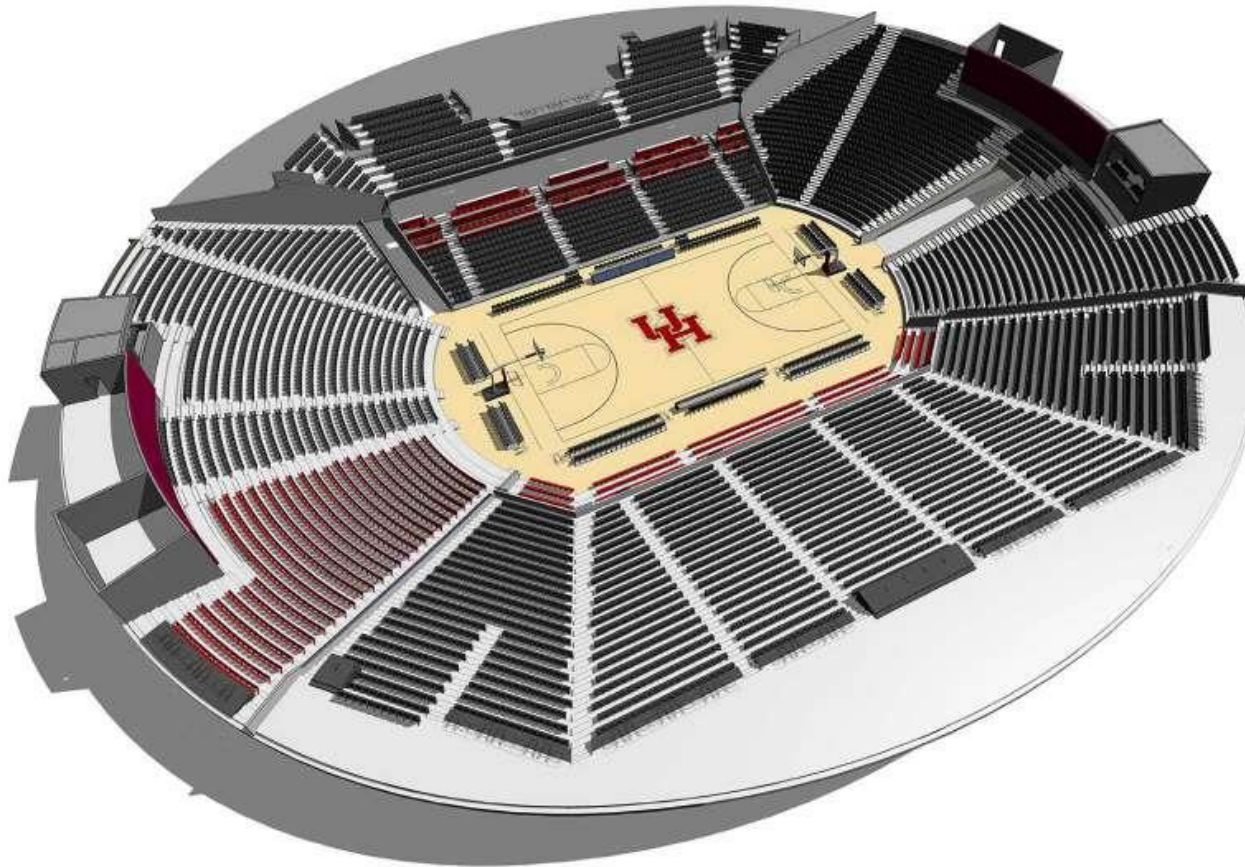
- **Project Description:**
  - Renovate the 50-year old arena formerly known as Hofheinz Pavilion into a modern-day sports venue
  - Preserve exterior structure and roof, but entry experience and building presentation to be completely updated
  - Eliminate the low-ceilings, opening up the ceiling space up to 30-feet high for bowl and concourse levels of interior
  - Reconfiguring the seating bowl to capture prime seating opportunities and optimize view lines including creating two large club areas with VIP amenities
  - Complete upgrading and renewal of building and equipment including: up-to-date AV programs; new court and scoreboard; new VIP entrance; modern HVAC systems with full controls; ADA & Life Safety improvements
  - Expanded restroom facilities; new food service, retail venues and office space
- **Project Budget:** \$60,000.000 / existing structure value \$12,645,230
- **Project Delivery Method:** Construction Manager at Risk

# New Fertitta Center



# New Fertitta Center

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# Process to Include UH Builder's Risk Coverage

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- Modification to Contract Documents
- Information Provided to Gallagher
  - *Project Description & Contractor*
  - *Construction Hard Cost Budget*
  - *Construction Schedule & Timeline*
  - *Site Plan & Geotechnical / Soils Report(s)*
  - *Contract Documents*
  - *Value of Existing Property (renovation projects only)*
  - *Delay in Start Up – Revenue values*
  - *Soft Costs*

# Key Successes for University of Houston

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- Significant Premium Reduction (53%)
- Enhanced Coverage Terms
  - *Existing building*
  - *Named Windstorm & Flood*
  - *Soft Costs*
  - *Delay in Start-Up*
  - *Defects of Materials Workmanship & Design Plan Specifications*
  - *Permission to Occupy*

# Obtaining Information & Quotes

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