

MANAGING TEMPORARY PROJECT SUSPENSIONS

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The purpose of this writing is to draw attention to key terms and conditions that could influence a Builders Risk policy, anticipate the Insurers questions relating to a temporary jobsite shutdown, ensure uninterrupted coverage through the delay of the project, and offer suggestions for a safe jobsite shutdowns.

Suspended jobsites present heightened risks to Owners, Contractors and Insurers

An inactive construction site carries many more risks than an active one. Such projects are at increased risk because of the following vulnerabilities:

- Target for vandalism including arson (petty, social or politically motivated).
- Target for the homeless, or stir crazy teenagers, who have been known to start fires for various reasons, or injure themselves on sites.
- Target for theft – especially with a growing amount of unemployed persons and financial strain.
- Susceptible to large water incidents which do not get immediately noticed and mitigated, creating significant property damage.
- Susceptible to fire, if temporary heating is not being carefully monitored and managed.
- Multitude of other jobsite risks which might have otherwise been noticed and attended to had there been a physical presence on site.

Builders Risk Policy Coverage Considerations

Builders Risk policies cover the project against physical damage during the course of construction. Such policies contain important conditions, including some limitations of coverage. Most Builders Risk policies have a “cessation of work” provision, which voids coverage if work is stopped for an extended period of time, for the reasons identified above. The popular IBC 4042 version of the policy (the form referenced and prescribed by CCDC contracts), reads as follows, under the provision entitled ‘CESSATION OF COVERAGE’:

“This Form ceases to insure any part or section of the project.....when left unattended for more than thirty (30) consecutive days or when construction activity has ceased for more than thirty (30) consecutive days.”

In response to Covid-19 pandemic, some Insurance Companies have liberalized their wording such that the 30 day period has been extended to 90 days, but others are

hesitant to amend their policy wording across the board, insisting on project by project basis consideration.

In addition to the ‘Cessation’ clause, some higher risk projects, such as wood frame structures or remote and unprotected sites (without municipal hydrants) may include “Site Security Warranty” conditions, meaning the site requires monitoring by watchmen, or closed circuit surveillance systems. Special attention needs to be paid to those projects, which also tend to be the most vulnerable, given that they’re combustible and/or remote.

Contractor and Owner Contractual Obligations relating to project insurances

The construction contract spells out the form of coverage required to be in place, and the party required to place such coverage. Generally it is the contractor, however sometimes the Owner will arrange for such coverage. Bear in mind these facts:

1. The form of the Builders Risk policy has been prescribed by the contract. It must be maintained until project completion.
2. The Builders Risk policy, as prescribed in CCDC contracts, contains a cessation clause applicable to cases where the project is left unattended or when construction activity is suspended for more than 30 days.
3. Although the policy itself may be effective throughout the shut-down (as required under contract), **coverage** under the insurance policy will be impaired if the site is shut down for over 30 days.
4. The Insurer can be engaged so as to provide relief from the terms of such condition, but they consider suspended project sites significantly greater risk and will likely only be amenable to amending the policy conditions if (a) they have reason to believe the project site has been left in such a condition so as to minimize damage during the temporary shut-down, and (b) the project is being visited frequently so as to ensure that any damage to the property is mitigated, to the degree possible.

5. As a result, the options to maintain uninterrupted coverage during a temporary shut down would be:
 - a. continue to enable some - albeit modest - level of construction activity on site, so that the policy cessation clause does not become applicable (obviously, this option would not be possible in the case of Government mandated shut down, but may apply to cases where Owners wish to suspend construction activities), or;
 - b. establish a jobsite protection plan consisting of leaving the site in proper standing, leading to the agreement with the Insurer to amending the 'cessation clause' to a period longer than 30 days (or that otherwise specified in the policy).

Advise us of any project suspensions where Builders Risk policy is in place

If your project is temporarily shut down, you should advise us immediately, so that we may ensure Builders Risk coverage is not interrupted. We will be looking for general information, the least of which will include:

1. Status of the site from a fencing / hoarding point of view.
2. Any site security or monitored video surveillance being maintained.
3. Description of lighting and signage proposed.
4. How often do you propose to visit the jobsite, while construction activities has been suspended (recommendation is daily, weekly at a *minimum*).
5. Any other relevant detail the contractor feels considers relevant to share.
6. Contractor's sense of timing. This will be difficult, however if the Owner or Governmental Authority has outlined a likely, or minimum period for the shut down, that will be useful.



Project Risk Management and Loss Prevention - Best Practices for temporary jobsite shutdowns

The contractor should maintain and protect the project during the period when construction activities are suspended. Recommended procedures include the following:

- Ensure site access has been restricted completely. Fenced sites should be closed and locked.
- Ensure site lighting is active and operational.
- Site security with 24-hour watch service is preferred, video surveillance almost as good.
- Protect project from weather issues.
- For projects with materials/equipment awaiting installation, ensure they have been removed from project site to a secure storage location, or if kept at site, secured in a locked facility (container, building, etc) and protected from the elements.
- Any temporary heating has been turned off (ie, salamanders, propane heating), but ensure any standard building heating remains operational (to mitigate freezing pipes if applicable).
- Turn water supply off, if possible.
- Arrange protection against wind and water damage (safety nets, bracing, covers, dewatering devices, etc.).
- Spring flooding and rains may be an issue. Ensure steps are taken to mitigate flood damage (ensuring drainage / catch basins are free of debris. Ensuring project materials are moved to "high ground" or removed from site completely).
- Stored equipment - follow manufacturer's recommendations on maintaining idle equipment; temperature and humidity control, and de-energize electrical equipment.
- Secure all cranes and other mobile equipment in accordance with manufacturer's recommendations. Where possible, all booms should be lowered.
- Secure all hoist and/or other lifting machinery.
- Fire protection - remove combustible material, maintain automatic fire sprinkler protection.
- All construction debris should be removed from the site - especially combustible materials.
- Ensure site gets standard weekly (or better) visits by Insured. This should include a perimeter walk to ensure all steps outlined above are in place. Site visits should be kept on record, dated photos evidencing the state of the site should be taken.

LET US HELP YOU MANAGE YOUR RISK

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