

Minneapolis Central Library

Umbrella Liability

The Umbrella policy was included in the Feasibility Study at \$225,000 premium.

Insurer	Limit	Premium
AIG*	\$25,000,000 Excess Underlying ⁽¹⁾	\$225,000 - 36 Month Term Flat Charge
St. Paul	\$20,000,000	\$241,893 Adjustable
Zurich	\$25,000,000	\$295,000 - 36 Month Term Flat Charge

Additional Limits Above \$25M

Great American	\$25,000,000 Excess of First Layer (\$50,000,000 Total)	\$150,000
Kemper/Travelers (Gulf) Quota Share Layer	\$50,000,000 Excess of Second Layer (\$100,000,000 Total)	\$225,000

Underlying Limits

General Liability

- \$2,000,000 Each Occurrence
- \$4,000,000 General Aggregate (reinstated annually)
- \$2,000,000 Personal/Advertising Injury
- \$4,000,000 Products/Completed Operations Aggregate

Employers' Liability

- \$2,000,000 B.I. by Disease or Accident
- \$2,000,000 B.I. by Disease Aggregate or

Self-Insured Retention

- \$25,000 Each Occurrence

- * This premium contemplates:
 - > Binding coverage in 2002 to obtain 2002 rates
 - > Bid Pack #2 Award - after 1/1/03
 - > Bid Pack #2 Mobilization/Procurement – Jan/March 2003
 - > Bid Pack #2 Construction Start – April 2003
 - > Final Completion – December 12, 2003

Note: Marsh is in process of negotiating additional months coverage contingency with AIG beyond 36 months.

Builder's Risk Insurance

In our efforts to secure coverage to protect your interests in the New Minneapolis Central Library Project, we have approached the following insurance companies for proposals on protecting property under construction: Chubb, ACE USA, RLI Construction, St. Paul Companies, Zurich Construction, Liberty National, Travelers, Lexington, Munich American Risk Partners, Allianz, Royal & Sun Alliance, ACE-INA, and Liberty Mutual.

Our submission mandated a Project Builders Risk Limit of \$86,908,898, a Soft Costs (additional architectural fees, rezoning fees, and advertising and promotional expenses, etc.) limit of \$5,000,000 and deductible options of \$25,000, \$50,000 and \$100,000.

After an initial meeting with Project staff, we have narrowed the field down to the following companies and prices with a \$25,000 deductible (with the exception of St. Paul Companies at \$50,000 deductible):

Market	Price
Liberty Mutual (excludes boiler and machinery)	\$216,056
St. Paul Companies (includes boiler and machinery and a \$50,000 deductible)	\$293,854
Allianz Insurance Co. (includes boiler and machinery)	\$304,943
Zurich American Ins. Co (excludes boiler and machinery)	\$307,720
ACE USA (includes boiler and machinery)	\$318,332

It should be noted that boiler and machinery coverage could be purchased separately for an estimated cost of \$25,000, if not included in the quote above. Many of the Builder's Risk markets do not feel that boiler and machinery coverage (also known as machinery breakdown and steam vessel explosion coverage) is necessary, especially with library projects.

There is also some degree of flexibility in regard to premium totals, depending upon the amount of deductible the Project decides upon. Consideration should be given to the amount of liability being held on the part of the contractors when making this decision.

Additional Considerations include:

- Minimum premiums earned
- Impact of early completion
- Policy term extension requests

After careful review of the policy forms submitted, we would recommend Liberty Mutual.

Professional Liability Insurance

Section 12.4.3 of the Owner and Architect Agreement requires the architect and all consultants of any tier to carry Professional Liability Insurance limits of \$2,000,000. These limits must be carried throughout the project and for an additional three years following the issuance of a final Certificate of Occupancy.

Currently, the limits that have been presented for review by the Project Staff are as follows:

Firm	Limits	Services Rendered
Architectural Alliance	\$2,000,000	Architect of Record
Cesar Pelli	\$5,000,000	Design Architect
Ericksen Ellison	\$1,000,000	Mechanical
Thornton Tomasetti	\$5,000,000	Structural
SRF Consulting Group	\$2,000,000	Civil
TMC	\$1,000,000	Low Voltage, Tel-Data
Bradley & Associates	\$500,000	Demolition Documents Architect
Cline Bettridge	\$1,000,000	Lighting Design

Additional costs associated with obtaining Owner-mandated limits beyond the limits set forth in the above table are reimbursable by the Library to the Project Professional.

Potential issues with existing insurance coverage:

1. To comply with Agreement, Design Professionals must maintain Professional Liability limits of \$2,000,000 for three years beyond substantial completion. This is a reimbursable item and costs of maintaining this coverage through 2006 are unknown.
2. Design Professionals' Professional Liability policies cover every project done by the design firm. Limits could become impaired or eroded by unrelated projects' claims.
3. Cumbersome claims handling processes exist when each Design Professional's policy is involved. There will be multiple defense attorneys with no coordinated defense effort.

Project Professional Liability Finalists

Carrier	Limits	Deductible	Premium
St. Paul	\$5,000,000	\$100,000	\$304,000
St. Paul	\$10,000,000	\$100,000	\$380,000
ARCH	\$5,000,000	\$100,000	\$269,600
ARCH	\$10,000,000	\$100,000	\$377,500

Additional Issues:

- St. Paul excludes CM; ARCH mandates inclusion of CM
- Contractors as additional insureds?
- Joint Defense
- Deconstruction and abatement are not included in quotes. Additional details to finalize are:
 - Contract values (\$1.2M?)
 - Description of deconstruction and abatement activities
 - Exact Dates

Contractor’s Pollution Insurance

General Liability policies contain an exclusion for loss/damage caused by

- Pollutants **brought to** the premises
 - > An example would be spill of solvents used in construction or fuel spill from mobile equipment due to overflow.

In order to address this exclusion, Contractor’s Pollution Liability policy can be purchased. Pricing is shown below:

Limit of Liability*		Premium		
		Deductible Per Claim		
Each Claim	Term Limit	\$25,000	\$50,000	\$100,000
\$1,000,000	\$1,000,000	\$47,417	\$42,676	\$37,935
\$2,000,000	\$2,000,000	\$56,536	\$50,883	\$45,230
\$5,000,000	\$5,000,000	\$72,950	\$65,656	\$58,361
\$5,000,000	\$10,000,000	\$83,893	\$75,504	\$67,115

*Higher limits available

There is some duplication between coverage on the St. Paul General Liability policy and this Pollution policy as respects incidents other than the example listed above.

- > St. Paul and Liberty both cover leakage of pollutants from installed equipment after project completion.

However, the St. Paul deductible is \$250,000. Liberty’s deductible would be lower.

The alternative to purchasing this policy is to 1) require the contractors to bring their own coverage to the job site, or 2) address the issue via the indemnification agreement, making the contractors responsible, or 3) self-insure the risk.