

Managing Construction Risks



Spring and summer are the traditional times for school districts to begin construction and renovation projects. It seems that no construction project ever goes completely as planned, but there are several areas of risk management that need to be addressed to reduce the chances of encountering unexpected liabilities.

Most major projects will be managed by a general contractor (GC). Among other duties, the general contractor is responsible for scheduling of materials and personnel and making sure that subcontractors are in compliance with state and federal laws.

General Liability Insurance - To protect the district, it is important

that your GC have general liability insurance in place for the duration of the project. Although it may not always be practical, ideally the limits of coverage should meet or exceed the policy limits of the district's general liability policy. You should insist on being supplied with a *Certificate of Insurance* before work begins. The certificate should name the district as an additional insured. In this way, you will be notified if the policy should be cancelled or otherwise altered.

If the project will run for an extended period of time, it is a good idea to re-verify coverage every six months just to make sure the policy is still in force. It is also prudent to require the GC to execute a *Hold Harmless Agreement* in favor of the district by which he agrees to indemnify and hold the district harmless in the event of any liability claims.

Builders Risk Insurance – Simply put, Builders Risk is insurance for construction work in progress. Your property coverage does not take effect until the project is completed. There should be a policy in place to cover property risks during the course of construction. Obtaining this coverage is usually the responsibility of the general contractor. However, we have seen cases where the responsibility of providing this coverage has been assigned to the district through wording in the construction contract. Naturally, all contracts should be reviewed by competent legal counsel to make sure such unintended liability does not exist.

The District as General Contractor – In some cases, a general contractor may not be used. This usually occurs on smaller remodel or repair projects. In these cases, the district actually assumes the responsibilities of the general contractor. You are responsible to make sure that all subcontractors are properly insured and are complying with applicable federal and state requirements. You must also ensure that construction materials and equipment are properly covered by adequate insurance. Your legal counsel and insurance agent should be consulted when contracting your project.

Whether you use a general contractor or not, a formal program should be developed whereby visiting contractors are made aware of district policies affecting smoking, cutting and welding procedures (hot work permits) and other regulations affecting fire safety and security. A checklist should be developed and discussed with each contractor doing work on the premises. The contractor should be required to sign the checklist and return it to the district before being allowed to conduct work on the premises. Topics of the checklist should include, but should not be limited to, the following:



1. Hot work permits – required if any cutting, welding, brazing or any other work requiring an open flame is performed.
2. Segregation of work zone
3. Facility smoking regulations
4. Restriction of alcohol, drugs, weapons, etc. on the premises
5. Vehicle traffic control – especially important if school is in session
6. Restricted access to nonworking areas and areas where additional safety instruction should be received before contractor is authorized to enter
7. Authorization before the cutting of any processing lines or the opening or closing of any valve
8. Shutdown of operating equipment by contractor
9. Replacement of guards before restarting the equipment
10. Housekeeping and sanitation responsibilities and requirements for end-of-day cleanup by contractor
11. Accident reporting requirements (personnel injury and property damage)
12. Use and restrictions of passenger elevators
13. Familiarization with emergency organization and actions to be taken by contractor in an emergency situation
14. Familiarization and instruction in use of all pertinent procedures
15. Restricted use of tools and equipment by contractor
16. Use of protective equipment by contractor personnel
17. Use and storage of hazardous or flammable materials
18. Use and storage of acetylene and oxygen cylinders