



Insurance and Bonding Requirements for Requests for Proposals (RFPs)

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North American Airport Construction – Notable Projects

Airport	Investment	Description
Chicago-O'Hare	\$15.0 billion	Ongoing airport-wide capital investment plan
Atlanta	\$9.0 billion	Long term development program including new (sixth) runway
Philadelphia	\$7.5 billion	Runway extension/New runway/Cargo complex development
Los Angeles International	\$6.8 billion	Terminal construction and renovation/runway relocation/other infrastructure works
New York-LaGuardia	\$3.9 billion	New central terminal and other works
Washington DC	\$4.6 billion	Concourses/new terminal/airport hotel
Fort Lauderdale	\$1.3 billion	Runway extension/terminal renovation
Toronto	\$3.0 billion	New terminal and runways
New York-JFK	\$1.4 billion	Terminal expansion/Cargo upgrade/Runway and taxiway rehabilitation
Calgary	\$1.2 billion	New runway/terminal expansion/other works

Steps of Procurement

1. Requirement and need specification
2. Determining procurement method
3. Procurement planning and strategy development
4. Solicitation documents preparation, approval and publication
5. Pre-bid/proposal meeting and site visit

Steps of Procurement *(continued)*

6. Bid/proposal submission and opening
7. Bid/proposal evaluation
8. Contract award recommendation
9. Contract negotiations
10. Contract award (signing)

Modern Construction Risk Management...

The Three Major Pillars/Tools

- Insurance
- Bonding and Other Forms of Security
- Contractual Risk Allocation

The Integration of the Three Major Pillars/Tools in the RFP Process

- Each tool plays a unique role in risk management
- The strengths and weaknesses of the tools need to be considered as part of a collective approach
- Too often, differing members of the Owner team work in isolation on the tools without considering overall project goals

Insurance, Bonding, Contractual Risk Provisions



The Oil
America

Pillars not Silos



The First Pillar: Insurance

- Three Major Forms of Construction Insurance
 - Builder's Risk
 - Commercial General Liability (CGL)
 - Professional Liability

Builder's Risk Insurance

- A form of property insurance
- Protects a project during the course of construction
- Insures against physical threats, such as wind, fire, flood, earthquake
- Either the Owner or Contractor can secure
- Risk of overpayment/inadequate coverage

Commercial General Liability Insurance

- Protects Contractors from claims involving personal injury and property damage to third parties
- Is not defect insurance or workers' compensation insurance
- Commonly sold in per-claim/aggregate amounts with "umbrella" or excess policies stacking on top

Professional Liability Insurance

- Directly benefits only the named insured design professional
- Defends and indemnifies named insured
- Damages include bodily injury, property damage, and economic loss
- Claims-made (not occurrence) coverage
- Renewed annually
- Covers only breach of professional standard of care

Builder's Risk Insurance – Traps for the Unwary

- Who purchases the coverage?
 - Claim process management
 - Possible savings
- How are deductibles handled?
- Covered perils/sublimit?

Commercial General Liability Insurance – Traps for the Unwary

- Additional insured issues
- Waivers of subrogation
- Coverage for certain types of indemnity agreements
- Business risk exclusions

Professional Liability Insurance – Traps for the Unwary

- Sufficiency of limits
- Limits eroded by cost of defense
- Limits spread over designer's entire portfolio

The Second Pillar: Bonding and Other Forms of Security

- Bid bonding
- Payment and performance bonding
- Substitute forms of security

Bonding and Other Forms of Security

- Typically, bonding is driven by statutory requirements
- Varying views on value
- Handling minority business requirements

The Third Pillar: Contractual Risk Allocation

- Indemnity
- Limitations of liability
- Potential damages for delay/liquidated damage provisions
- Integration of protocols and policies
 - Security
 - Safety



BUILDERS RISK INSURANCE

TERM OF INSURANCE ___/___/___ to ___/___/___

DESCRIPTION OF INSURED PROJECT

Construction of the new Terminal 4 Eastern Expansion at the Fort Lauderdale Airport.

LOCATION OF INSURED PROJECT

1000 Terminal Drive
Fort Lauderdale, FL 33315

POLICY FORM

ISSUING COMPANY(ies)

ESTIMATED TOTAL PROJECT VALUE at inception:

- A. \$ _____ Total value of all Covered Property, Landscaping Materials, all labor costs that will be expended in the **INSURED PROJECT**, site general conditions, construction management fees, and contractor's profit and overhead; plus
- B. \$ _____ Total value of all Covered Property not declared in A. above supplied by the project owner(s) or other(s), for which the insured has assumed responsibility and that will become part of the **INSURED PROJECT**; plus
- C. \$ _____ Value of existing property to be insured;
- D. \$ _____ Estimated **TOTAL PROJECT VALUE** of the **INSURED PROJECT** at Policy effective date equal to the sum of A., B. and C. above

Applicable Sub-limits

\$	Physical Damage Coverage to the INSURED PROJECT ;
\$	Delay In Completion Coverage (If a limit is shown, see below for applicable sub-limits);
\$	Physical Damage Coverage to Covered Property in Transit - any one conveyance;
\$	Physical Damage Coverage to Covered Property at Temporary Offsite Locations - any one location;
\$	Maximum any one Item – Trees, Plants, and Shrubs;
\$	Architects and Engineers Fees;
\$	Or 20% of the amount of insured physical loss or damage to Covered Property, whichever is less, for Expediting Expense and Contractor's Extra Expense, combined;
\$	Physical Damage Coverage to plans, blueprints, drawings, renderings, specifications or other contract documents and models at the INSURED PROJECT ;
\$	Fire Department Service Charges;
\$	Fire Protective Equipment Refills;
	Or 25% of the amount of insured physical loss of or damage to Covered Property whichever is less - Debris Removal Coverage;
\$	Emergency Property Protection Expense Coverage – during the Policy Term.
\$	Claims Preparation Costs
\$	Ordinance or Law / Demolition or Increased Cost of Construction
\$	Terrorism

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