



# PROGRAM BULLETIN

Updated: November Nov. 26, 2021

**ATTENTION:** Chief Financial Officers / Risk Managers of Health Care Protection Program (HCPP) Covered Entities

**SUBJECT:** Provincial Construction Insurance Program - Update

**Please Forward This Bulletin to All Construction Procurement Staff**

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The Provincial Construction Insurance Program (PCIP) provides Course of Construction (property) and Wrap Up General Liability coverage for public sector construction and renovation projects. PCIP supports health care agencies (HCAS), BC government ministries, K-12 public school districts and most BC public post-secondary institutions.

This bulletin is to inform you about important new changes to the PCIP which may affect the way you choose to procure and manage construction projects. These changes include:

1. a higher monetary threshold for obtaining Course of Construction (COC) and Wrap Up Liability (WUL) insurance;
2. changes to COC deductibles, sublimit extensions, and policy wordings;
3. amended renewal terms for PCIP's Commercial General Liability – Wrap Up insurance coverage; and
4. new and updated risk provisions for commonly used CCDC contracts:

## **1. New PCIP Threshold**

To obtain PCIP coverage, Health Care Agencies' construction and renovation projects should now be valued at \$5,000,000 (\$Five Million) or above. Projects valued under \$5 million should be insured by General Contractors, except in cases where there are high-hazard or unusual exposures, or where there is a compelling business case for the HCA to place the insurance. Please consult HCPP for guidance in these situations.

Although the new threshold came into effect on Oct. 1, 2021, we acknowledge there will be a gradual transition to account for projects that are already in the procurement process.

**2. Changes to COC deductibles, sublimit extensions, and policy wordings:**

The new Course of Construction Policy is effective October 1, 2021 to Oct. 1, 2022. Rates for the COC remain unchanged:

➤ Construction under \$10 million:

	Town Grade		
	<u>1 – 5</u>	<u>6 – 7</u>	<u>8 – 10</u>
Fire Resistive	0.00432	0.00513	0.00684
Steel on Steel/ Non-Combustible	0.00603	0.00738	0.00855
Masonry	0.01116	0.01368	0.0171
Wood Frame	0.032	0.0368	0.0464

➤ Construction over \$10 million:

	Town Grade		
	<u>1 – 5</u>	<u>6 – 7</u>	<u>8 – 10</u>
Fire Resistive	0.00410	0.00487	0.00649
Steel on Steel/ Non-Combustible	0.00572	0.00701	0.00812
Masonry	0.0106	0.01299	0.01624
Wood Frame	0.032	0.0368	0.0464

**Deductibles:**

These COC deductibles are now in effect for policies placed on or after October 1, 2021:

- Where the project value is \$10,000,000 or less (each and every loss) – the deductible has increased to \$20,000. (The previous deductible was: \$10,000).
- Where the project value is \$10,000,000 in excess (each and every loss) – the deductible has increased to \$50,000. (The previous deductible was: \$25,000).
- There is now a minimum 30-day waiting period with regards to Soft Costs (the previous maximum was 30 days per project).
- Where there are claims for Water Damage / Flood / Sewer Back Up – the deductible is \$100,000 (**NEW**).

## **Sublimit extensions:**

Changes to Sublimit extensions are as follows:

- The coverage for Debris Removal is now 10% of Project Value, to a maximum of \$2,500,000 (**NEW maximum**).
- The coverage for expenses due to damage or destruction caused by a Civil Authority is now for up to 8 weeks, to a maximum of \$1,500,000 (**NEW**).
- The coverage for costs associated with meeting requirements under By-Laws or Regulations is now \$2,500,000 (**NEW**).

## **Wording Changes:**

The new Course of Construction Policy (2021 – 2022) will include the following changes:

- Section One / No. 10 – Definitions – This section will be revised to include Marsh manuscript wording regarding flood / water damage / and sewer back-up losses (**NEW**).
- The new minimum premium for endorsement / extensions is now \$25 CDN.
- New exclusions will also be added for:
  - Cyber Risk, and
  - Communicable Disease

## **3. Renewal Terms for WU Liability Coverage**

Starting December 1, 2021, new rates, minimum premiums, and deductibles come into effect for Wrap Up Liability insurance.

### **WUL Rates:**

The new rates are:

- New construction: 0.11%
- Renovations: 0.1575%

### **Premiums:**

Minimum premiums are increased to:

- \$2,500 for all projects involving new construction.

- \$3,500 for all renovation projects, including those involving “hot roofing.”

#### **Deductibles:**

Deductibles are still being finalized, but they will not exceed:

- \$50,000 for all losses that **do not** include completed operations liability.
- \$100,000 for losses involving completed operations liability.

#### **4. New and updated Risk Provisions for Commonly used CCDC contracts**

This following section provides a list of new and updated risk provisions for construction contracts which have been approved by the Risk Management Branch. These risk provisions are important additions for your contracts because they include insurance, indemnification, limitations of liability and contract security clauses.

#### **Please note:**

For projects with an estimated construction value **below \$5,000,000 (\$ Five Million)** please use **Contractor / Design – Builder / Construction Manager / Trade Contractor Insured Risk Provisions.**

For major projects with an estimated value of **\$5,000,000 (\$ Five Million) to \$75,000,000 (\$ Seventy-Five Million)**, please use the **Owner Insured Risk Provisions.**

#### **CCDC 2 (2008) Stipulated Price Contract**

- Contractor Insured - Under \$5 million
- Owner Insured - \$5 million to \$75 million

#### **CCDC 2 (2020) – Stipulated Price Contract**

- Contractor Insured - Under \$5 million
- Owner Insured - \$5 million to \$75 million

#### **CCDC 5A (2010) – Construction Management Contract – For Services**

- Construction Manager Insured - Under \$5 million
- Owner Insured - \$5 million to \$75 million

### **CCDC 14 (2013) – Design - Build Stipulated Price Contract**

- Design - Builder Insured - Under \$5 million
- Owner Insured - \$5 million to \$75 million

### **CCDC 17 (2010) – Stipulated Price Contract between Owner and Trade Contractor for Construction Management Projects**

- Trade Contractor Insured - Under \$5 million
- Owner Insured - \$5 million to \$75 million

### **CCDC 5B (2011) – Construction Management Contract – For Services and Construction**

These contracts are not recommended for use by the Province of B.C. For this reason, CCDC 5B contracts require many special supplementary conditions, which can impact the indemnity provisions. Please be aware that CCDC 5B contracts do not have blanket indemnity approval; they must be reviewed by HCPP on a case by case. If you will be using this form of contract, please contact HCPP for assistance each time to obtain indemnity approval, as required under the *Financial Administration Act*.

You can also find the revised and updated risk provisions on the HCPP website, under the [Construction tab](#).

If you have any questions about these risk provision updates, please contact your HCPP Risk Management consultant.

**For projects exceeding \$75 million, or if you require risk provisions for a contract not listed above, please contact HCPP.**