



# RISK NOTE

**SERIES: Risk Management in Construction**

**SUBJECT: Construction Insurance FAQs for Projects Under \$75MM**

## Acronyms

Commercial General Liability – CGL  
Course of Construction policy – COC  
General Contractor – GC  
Health Care Agency – HCA  
Health Care Protection Program – HCPP  
Million – MM  
Provincial Construction Insurance Program – PCIP  
Risk Management Branch – RMB  
Wrap Up Liability policy – WUL

## Table of Contents

|   |   |
|---|---|
| <b>Acronyms</b> .....   | 1 |
| <b>Insurance for Construction Projects</b> .....  | 3 |
| Q.1 Why do I need construction insurance for my project?.....   | 3 |
| Q.2 How do I get insurance coverage through PCIP? .....   | 3 |
| Q.3 What is the threshold for placing Owner-controlled Course of Construction (COC) and Wrap Up Liability (WUL) insurance under the PCIP? ..... | 3 |
| Q.4 Can I get PCIP coverage for construction projects valued under \$5MM? .....   | 4 |
| Q.5 How do I make sure that projects under \$5MM are properly insured if there is no General Contractor? .....                                  | 4 |
| Q.6 What is the maximum duration a project can be insured under PCIP?.....  | 4 |
| Q.7 Can I get PCIP insurance on projects where construction has already started? .....  | 4 |
| Q.8 What should I do if I have a complex project that may need to be completed in phases? .....   | 4 |
| <b>PCIP Application</b> .....   | 5 |
| Q.9 What are Soft Costs? .....  | 5 |
| Q.10 What are Hard Costs?.....  | 5 |
| Q.11 What are Additional Hard Costs? .....  | 5 |

|  |    |
|--|----|
| <b>Coverage - COC and WUL</b> .....  | 6  |
| Q.12 What does the COC policy provide coverage for? .....  | 6  |
| Q.13 What happens if I store construction materials offsite and they are stolen? .....   | 6  |
| Q.14 Can we add other Parties as “additional insureds” to COC policies?.....   | 6  |
| Q.15 What does the WUL policy provide coverage for? .....  | 6  |
| Q.16 Can we add other Parties as “additional insured” to WUL policies? .....   | 6  |
| <b>Completed Operations Coverage</b> .....   | 7  |
| Q.17 What is Completed Operations Coverage? .....  | 7  |
| <b>Change Orders</b> .....   | 7  |
| Q.18 Do "change orders" affect insurance coverage? .....   | 7  |
| <b>Occupancy During Construction</b> .....   | 7  |
| Q.19 A portion of my project is ready for occupancy. Can I move into the space, or do I need<br>permission from the insurer first?.....  | 7  |
| Q.20 What happens if I occupy a portion of the project for purposes other than listed above? .....   | 8  |
| <b>Extending Insurance Coverage (COC and WUL)</b> .....  | 8  |
| Q.21 My project will not be complete prior to the policy expiry date, how do I get an extension? .....   | 8  |
| Q.22 What information does HCPP require for PCIP extensions? .....   | 8  |
| Q.23 If our policies lapsed and we now need an extension, can we backdate coverage?.....   | 9  |
| Q.24 If I pay for a two-month extension, but the project finishes early, does my HCA get that money<br>back? .....   | 9  |
| <b>Lapsing Coverage</b> .....  | 9  |
| Q.25 When can I allow the COC and WUL insurance to lapse?.....   | 9  |
| Q.26 What information does the insurance broker require when the project is complete (extensions are<br>no longer required)? .....   | 9  |
| Q.27 To report my project completion date, do you want to know my “Substantial Completion” date (as<br>per Builder’s Lien Act), or the date when I receive the Occupancy Permit(s)?..... | 9  |
| Q.28 Why does HCPP ask for a deficiency list? Why is this important?.....  | 10 |
| Q.29 Can I add additional work (not included in the original application) once the construction<br>insurance has lapsed?.....  | 10 |
| <b>Transitioning from Construction Coverage to HCPP Property Coverage</b> .....  | 10 |
| Q.30 When does the HCPP Property Coverage Agreement take over? .....   | 10 |
| <b>Reporting an Insurance Claim</b> .....  | 10 |
| Q.31 How do I report a construction claim?.....  | 10 |

## Insurance for Construction Projects

### Q.1 Why do I need construction insurance for my project?

The Provincial Construction Insurance Program (PCIP) provides Course of Construction (COC) and Wrap up Liability (WUL) policies insuring construction projects that are typically over \$5MM. Construction insurance policies are needed when you have agreed by contract that the Health Care Agency (HCA) as the project owner will insure the project. The HCA cannot rely on the usual HCPP property coverage agreement because it includes exclusions for property under construction. Furthermore, construction liability policies are set up to cover the liability of all those involved in the construction, not just the HCA. PCIP offers the HCA affordable rates and covers a wide variety of risks that may otherwise be challenging to insure.

### Q.2 How do I get insurance coverage through PCIP?

Complete the Construction Application Form as available on the HCPP website ([www.hcpp.org](http://www.hcpp.org)) and forward it along with the **required supporting documents** [site plan, time chart, 5-yr loss history and soil / geotech report (for new construction)] to [HCPP@gov.bc.ca](mailto:HCPP@gov.bc.ca) **at least six (6) weeks prior to commencement of construction.**

Answer all questions on the Construction Application Form. Please indicate (N/A) in any sections / fields which are not applicable. **We will only submit the application to the insurance broker for a Non-Binding Quote once the form is complete and all supporting documents have been received.**

#### Special considerations:

For some projects the insurer will need extra “lead time”.

Two months at minimum but preferably four months lead time required for:

- Wood frame, mass timber construction projects valued over \$35MM.
- Wood frame or mass timber projects in excess of 6 storeys.
- Complex projects that involve multiple phases.

For any of these types of projects, the insurer will also require a copy of the full project budget and water mitigation plans.

### Q.3 What is the threshold for placing Owner-controlled Course of Construction (COC) and Wrap Up Liability (WUL) insurance under the PCIP?

The threshold for obtaining PCIP coverage for HCA construction and renovation projects is \$5MM to \$75MM. This has been in effect since Oct. 1, 2021.

#### **Q.4 Can I get PCIP coverage for construction projects valued under \$5MM?**

Construction projects valued under \$5MM should be contractor insured. However, there may be rare situations where it makes sense to place the insurance through the PCIP. For example, if the project involves any specialized or high hazard work, it may be best to obtain PCIP coverage. To determine if PCIP coverage is appropriate, contact HCPP.

#### **Q.5 How do I make sure that projects under \$5MM are properly insured if there is no General Contractor?**

You can make sure your project is protected by requiring all contractors working on the project to each carry Commercial General Liability (CGL) coverage of \$5MM per occurrence. We recommend you require them to provide you with proof of this coverage (e.g., a certificate of insurance) before starting work.

#### **Q.6 What is the maximum duration a project can be insured under PCIP?**

PCIP insurance policies provide COC and WUL coverage for a maximum of 36 months, plus a completed operations period of 24 months after the project is completed. If you think your project may extend beyond 36 months, please let us know right away. We need to contact the insurance broker to request an extension from the insurer. Please note extensions are not guaranteed on projects exceeding the 36-month term.

#### **Q.7 Can I get PCIP insurance on projects where construction has already started?**

Maybe – but this is not guaranteed.

If you are requesting PCIP coverage on a project that has already started, you will need to confirm there have been no losses to date (e.g., formal letter from the project manager). As noted above, PCIP coverage is not guaranteed for projects that have already started - it will be determined on a case-by-case basis by the insurer.

Late reported construction projects may result in a denial of coverage. If the contract specifies that the construction insurance coverage will be arranged by the project owner under PCIP, and you are unable to obtain this coverage, you will be in breach of contract. It is important to note the HCPP Property Coverage Agreement has exclusions for property under construction. If there is a loss that could have been covered by PCIP, the HCA may need to absorb this expense.

#### **Q.8 What should I do if I have a complex project that may need to be completed in phases?**

Please contact HCPP early in the process, so we can help you determine the best way to insure the project. Please tell us about the scope of the project and why you are doing the project in phases. Be sure to include:

- 1) *Phase 1 start & end date; value; and description of work taking place; and*
- 2) *Phase 2 start & end date; value; and description of work taking place.*

## PCIP Application

### Q.9 What are Soft Costs?

Soft Costs include costs to produce blueprints, professional consultants' fees (architects, civil engineers, landscape design) financing costs (property tax, loan interest), legal fees, inspection fees or costs to obtain permits related to the construction project. They also include costs to insure the project. When considering these costs, think of the various costs that you may incur if your project is delayed by a loss or must be entirely rebuilt in the rare event of a total loss. Soft costs will not be covered by insurance unless an amount is indicated on your PCIP application, and then only to the limits provided.

### Q.10 What are Hard Costs?

Hard Costs, also known as "brick and mortar expenses", form the largest part of the value of your project. Hard Costs include the costs to build or renovate the facility (including contractor / subcontractor labour costs) and the building materials being used. Equipment that is installed permanently and forms part of the construction project is a Hard Cost. Please note that specialized medical equipment (e.g., MRI machines) should not be added here as the supplier should carry insurance for this equipment through installation and until the equipment is accepted by the project owner. **Do not add contents** to Hard Costs (i.e., items that can be easily removed from the premises such as plug-in equipment, beds, desks, chairs, medical supplies) as they are not covered by the construction insurance. If the HCA owns the contents, they will be automatically covered by the HCPP property coverage agreement. If they are not owned by the HCA, please call HCPP for advice.

### Q.11 What are Additional Hard Costs?

Additional Hard Costs are costs that the project owner is required to secure insurance for that are not already included in:

- Hard Costs\*; or
- an existing policy such as:
  - the HCPP Property Coverage Agreement for HCA owned contents (beds/furniture/medical supplies) and existing building structures.
  - the Contractor's Insurance for their own tools and equipment.

**\*If you have included values under Hard Costs - do not replicate these values under Additional Hard Costs.**

## Coverage - COC and WUL

### *Course of Construction (COC)*

#### **Q.12 What does the COC policy provide coverage for?**

The COC covers property, which is undergoing construction or renovation, from direct damage such as fire, water damage and earthquake. It also covers property of every kind and description (including material and supplies) to be used in the construction operations.

#### **Q.13 What happens if I store construction materials offsite and they are stolen?**

The COC policy covers property that is intended to form part of the completed project and is stored at a temporary location away from the Project Site. However, the policy has an exclusion for “mysterious disappearances.” If property is stored in a non-secure location (e.g., in an unlocked shed), the policy is unlikely to cover the stolen property.

#### **Q.14 Can we add other Parties as “additional insureds” to COC policies?**

Sometimes. If any other Party asks to be added to the COC policy as an additional insured, we will ask what their interest is in the property before approaching the insurer. For example, it may be reasonable to add a landlord as an additional insured on policies for renovations to space being leased by a health authority.

### *Wrap Up Liability (WUL)*

#### **Q.15 What does the WUL policy provide coverage for?**

WUL coverage provides liability insurance for damage to third party property, bodily injury, and personal injury. It covers the project owner and all parties involved in the project (construction manager, general contractor, and subcontractors). WUL coverage “wraps up” all the parties into one unit for the purposes of insurance. It is the most economical way of arranging liability insurance on large construction projects. See Q17 for information on **Completed Operations Coverage**.

#### **Q.16 Can we add other Parties as “additional insured” to WUL policies?**

Sometimes. You will need to notify HCPPP of the Party’s legal name and we will need to understand the reason for the request. If it is reasonable, we will make this request to the insurer and the Party will be noted on the individual certificates of insurance.

## Completed Operations Coverage

### Q.17 What is Completed Operations Coverage?

When work is deemed complete or the work is being used for its intended purposes, the “Completed Operations” portion of the WUL policy kicks in. Completed operations coverage remains in place for 24 months after the WUL lapses and provides liability coverage for losses arising when servicing, maintaining, repairing, or replacing otherwise completed work.

**Completed Operations (CO) will cover losses that arise** when contractors return to the site to service, maintain, correct, repair, or replace otherwise completed work.

**Completed Operations (CO) will not cover losses that arise from work** that has not yet started or been completed.

For example, if installing a new kitchen in the staff breakroom is part of the contract and the kitchen has not been completed when the WUL expires, losses arising during the kitchen sink installation will not be covered under CO coverage. Alternatively, if the new dishwasher or the related plumbing requires servicing 4 months after staff begin using the appliance, CO coverage will respond to losses resulting from the servicing / repairs.

## Change Orders

### Q.18 Do “change orders” affect insurance coverage?

It depends where you are “at” in the construction project, and what you are doing.

If the COC and WUL have not expired change orders are usually covered. However, you are required to inform your HCPP Consultant if the project cost has increased more than 15% above the estimate on your PCIP application. The Consultant will notify the insurance broker and determine whether you are carrying sufficient insurance.

In the event of a loss, you are only insured for the limit you have declared plus 15%. Failure to advise of increased project costs could result in uninsured losses.

All material changes to scope (i.e., adding an additional floor, putting in an elevator, significant changes to design, hot roofing work previous not declared) must be reported to your HCPP Consultant. This is because material changes to the project can void your insurance. The insurer will need to reassess the risk.

## Occupancy During Construction

### Q.19 A portion of my project is ready for occupancy. Can I move into the space, or do I need permission from the insurer first?

Under certain conditions, the COC policy allows for partial occupancy of the project space **before** the project is accepted as complete. The HCA is permitted to occupy the project space for habitational use, office, retail sales, or parking. The project can also be occupied for the purpose of installing, testing, and commissioning the equipment that forms part of the project.

**Q.20 What happens if I occupy a portion of the project for purposes other than listed above?**

Occupying the space before completion, without permission of the insurer, **may void your COC coverage.**

If you need to occupy part of the project space before it is formally completed for any reason other than those listed above (e.g.: running clinic space for patients, training of staff), please let us know **prior** to occupancy so we can request permission from the insurance broker.

**Extending Insurance Coverage (COC and WUL)**

**Q.21 My project will not be complete prior to the policy expiry date, how do I get an extension?**

Please notify your HCPP Consultant of the need for an extension 4 weeks before your policy expires. This will allow time for the Consultant to ask questions about the remaining work and share the information with the insurance broker. The broker may need to consult the insurer prior to agreeing to an extension of coverage. Requests for extensions take time to process and may take even longer if there has been a loss at the project site or if there are material changes to the project.

**Q.22 What information does HCPP require for PCIP extensions?**

**If an extension is necessary**, please confirm the following information **as soon as possible**, to ensure that the required coverage can be arranged:

1. What is the newly anticipated project completion date?
2. Have there been any losses, claims, incidents on the project to date?
3. What is the reason for the project delay (e.g., project complexity, unexpected event, etc.)? Please explain.
4. Are you planning to occupy, or partially occupy the project space before completing the remaining work?
  - a) If “Yes”, please provide details of the planned occupancy, including when you intend to start using it and for what purpose.
  - b) If you have already moved in, please advise when you started using the project space and why.
5. Has the project scope increased (i.e., increased costs more than 15% above your initial project estimate, new contract items added, design changes or increases in complexity?)
  - a) If “Yes”, describe the additional scope added to the project and its value.
  - b) Provide the new estimated total project budget.



**Q.23 If our policies lapsed and we now need an extension, can we backdate coverage?**

This may be possible in some cases; you will need to discuss the situation with your HCPP Consultant. However, if there was a loss on the project after the insurance policies lapsed, the insurer is unlikely to reinstate insurance for the project.

**Q.24 If I pay for a two-month extension, but the project finishes early, does my HCA get that money back?**

Possibly. It will depend on the amount of time left in the term and how much unused premium remains. The broker won't issue refunds on a COC policy for amounts less than \$1000.

**Lapsing Coverage**

**Q.25 When can I allow the COC and WUL insurance to lapse?**

It is safe to lapse the construction insurance when the project has been accepted as complete and it is ready for its intended use (**noting any remaining work must be limited to the service, maintenance, correction, repair, or replacement of work that is otherwise complete**). If there are delays with testing or outstanding project administration, but all construction is otherwise complete, please let us know and we will help you determine if it is safe to lapse coverage.

**Q.26 What information does our broker require when all project work is complete (extensions are no longer required)?**

1. The date all project work (construction) was completed and accepted by the Owner as ready to use or in use for its intended purpose. This date should align with the end of the construction insurance coverage.
2. Final project hard costs:
  - a) The insurance broker needs to know how much was actually spent on hard costs (you may have included a contingency amount on your application and if this money was not spent, do not include it). The broker will use this information to determine if you will be invoiced or if you will receive a refund.
  - b) Project Owners are required to provide **final** hard costs within 30 days of project completion.

**Q.27 To report my project completion date, do you want to know my “Substantial Completion” date (as per Builder’s Lien Act), or the date when I receive the Occupancy Permit(s)?**

Neither. Those milestones indicate your project is nearing completion, but they don't tell us whether you have accepted all project work (construction) as complete. What we need to know is the date when all project work was accepted as complete **and** was ready for or in use for its intended purpose. As of the completion date, any remaining work at the project site should be limited to correcting deficiencies to otherwise completed work.

### Q.28 Why does HCPP ask for a deficiency list? Why is this important?

When you tell us the project will be completed by a certain date, we will ask to see your deficiency list. The information on the list helps us identify situations where it is advisable to extend your COC and WUL policies.

### Q.29 Can I add additional work (not included in the original application) once the construction insurance has lapsed?

No. Once your policies have lapsed, you can't "re-open" them to add additional work. You will need to obtain new policies. Please keep in mind the "additional work" must meet the \$5MM threshold to be placed under a new PCIP policy. The contractor should obtain insurance coverage for work that is under \$5MM. It is best to discuss the specific details of the situation with your HCPP Consultant.

## Transitioning from Construction Coverage to HCPP Property Coverage

### Q.30 When does the HCPP Property Coverage Agreement take over?

When the HCA has accepted all project work as complete and ready for use for its intended purposes, the HCPP Property Agreement will step in to cover the building and its contents (if owned by the HCA). The Complete Operations component of the WUL will remain in place for 24 months to provide liability coverage for losses arising from the contractor or subcontractors fixing work that was deemed otherwise complete.

If the construction insurance coverage ends too early, and there is a loss at the project site, it is possible that there will be no insurance available to cover the loss or alternatively no avenue for HCPP to recover costs for losses for which the contractor/subcontractors are liable.

## Reporting an Insurance Claim

### Q.31 How do I report a construction claim?

All incidents, claims or losses on the Construction Site should be immediately reported by email and sent to: [vancouver.claims@marshcanadaclaims.com](mailto:vancouver.claims@marshcanadaclaims.com)

Please use: "**New BC Gov't Construction Program Claim To Be Reported\*\***" as the subject line of your email and provide the following details:

1. Location of loss
2. Date of loss
3. Description of loss (including estimated cost of repairs, if known)
4. Provide damage photos (if available)
5. Describe the project as a new build or renovation.
6. Provide the certificate number assigned to the project.

**Please copy (cc) your HCPP Risk Consultant when sending your email to the Marsh Claim Department.**

\*If you don't use the subject line noted above, the email may go to the incorrect department delaying the claims process.

If damage is caused to property that is not part of the construction project (i.e., a pipe is damaged during construction and water flows down from the construction project to another floor), if the property is owned by the HCA, please **also** report the loss to [RMBclaims@gov.bc.ca](mailto:RMBclaims@gov.bc.ca).

If damaged property is not owned by the HCA, you also need to report the loss to the property owner. Any third parties impacted by a construction related loss should report these incidents to their own insurer.

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It should be clearly understood that this document and the information contained within is not legal advice and is provided for guidance from a risk management perspective only. It is not intended as a comprehensive or exhaustive review of the law and readers are advised to seek independent legal advice where appropriate. If you have any questions about the content of this Risk Note, please contact your organization's risk manager or chief risk officer to discuss.