



## Legislation Details (With Text)

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<b>Title:</b>	APPROVE A BUILDER'S RISK POLICY IN THE AMOUNT OF 100% OF THE REPLACEMENT VALUE OF THE HORIZONTAL AND VERTICAL CONSTRUCTION COMPONENTS ON THE COVERED PROPERTY, AT A PREMIUM ESTIMATED TO BE \$906,409, TO BE SHARED WITH CAM-CARSON, LLC BASED ON CONSTRUCTION VALUES, ALL PROCURED THROUGH JLT SPECIALTY INSURANCE SERVICES, INC.				

**Sponsors:**

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**Attachments:** 1. File Summary

Date	Ver.	Action By	Action	Result
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## Report to Carson Reclamation Authority

Tuesday, May 08, 2018

Discussion

### SUBJECT:

**APPROVE A BUILDER'S RISK POLICY IN THE AMOUNT OF 100% OF THE REPLACEMENT VALUE OF THE HORIZONTAL AND VERTICAL CONSTRUCTION COMPONENTS ON THE COVERED PROPERTY, AT A PREMIUM ESTIMATED TO BE \$906,409, TO BE SHARED WITH CAM-CARSON, LLC BASED ON CONSTRUCTION VALUES, ALL PROCURED THROUGH JLT SPECIALTY INSURANCE SERVICES, INC.**

### I. SUMMARY

This is the Builder's Risk policy for the development of the horizontal and vertical elements of Cell 2, the Macerich project.

### II. RECOMMENDATION

TAKE the following actions:

1. AUTHORIZE the Executive Director to bind coverage on behalf of the Carson Reclamation Authority on a Builder's Risk (BR) policy with a limit of liability equal to 100% of the replacement value of all horizontal and vertical construction components \$398,938,087 (estimated), plus Earthquake and Delay in Start Up coverage, having a

term of 32 months, with a total estimated cost of \$906,409 including broker commission and surplus lines taxes, with premiums to be shared with CAM-Carson, LLC based on construction values.

1.

### **III. ALTERNATIVES**

TAKE any other action the Reclamation Authority Board deems appropriate.

### **IV. BACKGROUND**

#### **1. Carrier, Limits and Premium**

Stand-Alone Policy      Builder's Risk (BR)

Carrier      London consortium (primary carrier)

Limit of Liability: Limit equal to 100% of the replacement value of all horizontal and vertical construction components \$398,938,087 (estimated)

Earthquake Aggregate      \$50,000,000

Delay in Startup (MAC)      \$25,311,148

#### **2. Self-Insured Retention (Deductible): \$50,000 per occurrence, except:**

- Waterdamage: \$100,000
- LEG3 (coverage for damage resulting from material defects): \$150,000
- Earthquake: 5% of value of the values at risk at the time of loss with \$250,000 minimum and \$5,000,000 maximum
- Delay in start-up: 45 days aggregate (60 days aggregate if caused by Earthquake)

3. Premium Allocation: Allocation is based on estimated constructions values. Based on the current estimates, 38.79% paid by CRA and 61.21% paid by Macerich.

4. Term: 32 months commencing on May 18, 2018 (date of execution of the Macerich conveyance documents) for initial declarations (i.e. contract execution for vertical and horizontal work on Cell 2, and horizontal work only on Cells 3, 4, 5, and 1). The construction rates used to calculate the premium are locked during the first 2 years of the policy, so the premium to add any additional development during this 2-year period will be based on the same rates. The master program will likely need to be renewed so that construction values associated with work after the initial 2-year period can be added via new declarations. Under the guidance of JLT, the renewal of the master program will likely occur on a rolling basis so that the market can be evaluated each year and the policy can be extended one full year in advance.

5. Insureds:

- Carson Reclamation Authority, RE Solutions, LLC, Cam-Carson, LLC and any subsidiary, associated, allied or affiliated company or individual whether wholly or partially controlled by the foregoing are the “Named Insureds”.
- Any party that any Named Insured is required to provide insurance pursuant to a contract or agreement.

6. Additional Insureds/Other Insureds: The Builder’s Risk program is a “wrap-up” program and protects the insurable interest of all contractors and subcontractors of every tier, and tenants at the project location as required by any contract or oral agreement. The City of Carson will be listed as a loss payee under the Builder’s Risk program with coverage derivative of the coverage provided to CRA to the extent such coverage is commercially available.

7. Coverage Grants: The Insurers will indemnify the Insured in respect of all risks of direct physical loss, damage or destruction (hereinafter referred to as “Damage”) to the Insured Interest not specifically excluded herein, occurring during the term happening within the project boundaries, including whilst in transit or movement by road, rail or during loading, unloading, transshipments and storage excluding intra-coastal transit.

“Insured Interest” means: the permanent and/or temporary structures and materials executed or in the course of execution of the project materials supplies equipment and other goods (excluding Construction Plant and Equipment) including Owner supplied items or any other property including temporary buildings and their contents for which the Insured is responsible or for which they hold themselves responsible or any of the Insured has agreed to insure or have instructions to insure which are used or intended for use in connection with the Project.

8. JLT Commission: \$150,000

9. Sublimits or Dedicated Limit Terms. There are certain sublimits.

10. Coverage Enhancements and Notable Endorsements:

(a) LEG 3: Builder risk programs typically exclude coverage for physical damage to the specific item itself that was subject to faulty designed, faulty workmanship or faulty materials, but does cover ensuing physical damage to other insured property caused by the faulty item. The LEG 3 enhancement bridges this gap and provides coverage for the specific faulty item when it is physically damaged.

(b) No Settlement Exclusion: Builder risk programs typically exclude physical damage as a result of normal subsidence or settling. The recommended form here does not include this express exclusion. Because subsidence or settling is not expressly excluded, it will be affirmatively covered.

(c) Piling Clause/Misalignment: Damage to pilings as a result of jamming and/or

misalignment is typically excluded when caused during the construction or implementation of the piles. Piles that become misaligned after they have been installed (due to a seismic event, for instance) will be covered for the costs to rectify/replace the piles.

(d) No Pollution Exclusion: Builder risk programs typically exclude physical damage as a result of any contamination or pollutants except for “fire following” such event. The proposed program here, however, does not have any exclusion for pollution scenarios.

(e) Increased Cost of Working Covered: The proposed program includes coverage for acceleration of costs in order to avoid or minimize any potential or actual delay when caused by physical damage.

(f) Low Claims Rebate: The proposed program include low claims rebates which provides savings in the event there are minimum claims.

11. Other Notable Coverage Items and Key Exclusions:

(a) Claims Monitoring: The proposed program uses specific features with improved protocols for claims handling and monitoring the progress of the project (including after a loss) and these costs are included in the premium and not separately levied against the insureds.

## **V. FISCAL IMPACT**

The total premium is \$906,409, and based on the premium allocation formula 38.79% is paid by CRA and 61.21% is paid by Macerich.

## **VI. EXHIBITS**

None.

Prepared by: John S. Raymond, Executive Director