



Build**PERALTA** Academy

Build Peralta Academy
How to Obtain Bonding/Insurance
Wednesday, November 18, 2020



COVID-19 Holiday Safety Tips



The greater the number of guests, the greater the risk. Keep the guest list small.



Consider keeping indoor gatherings to 10 people at most and outdoor gatherings to 25 people at most.



Keep supplies on hand, such as extra masks, hand sanitizer that contains at least 60% alcohol and tissues.



Outdoor gatherings are safest. If weather permits, celebrate in your backyard or in a park.



Traveling increases the chance of getting and spreading COVID-19. Staying home is the best way to protect yourself and others.



Wear a mask. Save lives.



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Agenda

- Welcome
- Introductions
- Bond Program Overview
- Commitment to Local Businesses
- Build Peralta Academy Schedule
- Course – How to Obtain Bonding/Insurance
- Survey
- Closing



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Meet
The
Team



Keith Kajiya

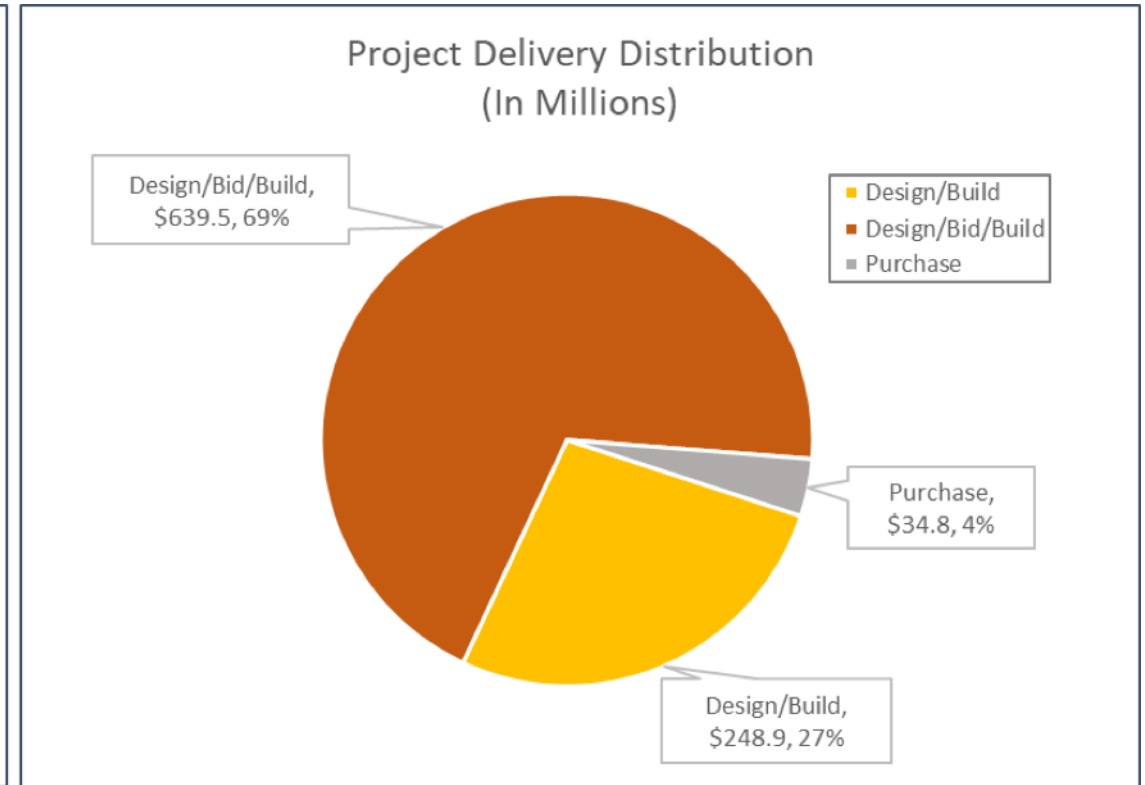
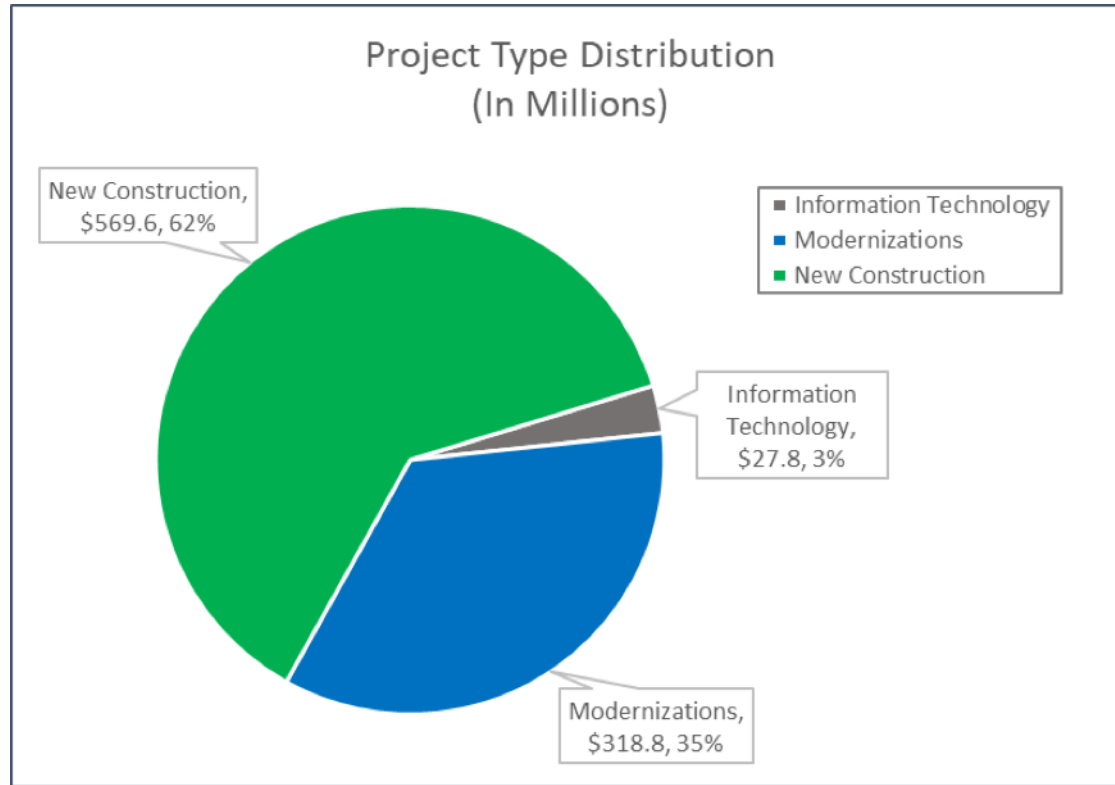
Program Manager
AECOM



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Capital Program Overview

Keith Kajiya, AECOM



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Shonda Scott

CEO / Founder
360 Total Concept



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Commitment to Local Businesses

Shonda Scott, 360 Total Concept

- PCCD Small Business Policy
 - 25% Small Local Business Participation
- Certification (small business located in 6 cities in Peralta District: Alameda, Albany, Berkeley, Emeryville, Oakland and Piedmont)
 - SLBE: Revenue size has not exceeded gross annual revenue for the past 3 consecutive years
 - Construction Firms: \$8.5M > under
 - Goods Non-Professional Services Firms \$6M > under
 - A/E and Professional Services \$3M > under
 - SELBE
 - For businesses that have not exceeded revenue of \$1.5M past 3 consecutive years
- Host Outreach Meetings
- Matchmaking Sessions with Primes
- Build Peralta Academy
 - Technical Assistance Workshops



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Bonnie James

CEO
BRJ & Associates



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Build Peralta Academy Course Schedule (9 Part Series – Technical Assistance Workshops)

Course Title	Description	Instructors	Date
Developing A Safety Program During COVID19 Era	Learn The Law(s) Federal OSHA has approved California's use of its version of construction and OSHA safety	BRJ & Associates - Mark Edwards Avitus Group – Bill Kane	9/30/20
How to Bid Informally and Formally including CUPCCAA	Learn how to bid informally and formally including the CUPCCAA process, pre-qualification and other PCCD contracting procedures	PCCD – Brian Slaughter AECOM - Ray Loving	10/14/20
Small Business Guide to Access Capital; Manage Profitability and Cashflow	Learn about programs and opportunities for small businesses to achieve capital/cashflow in a COVID-19 Era, including PPP loan forgiveness	SBA - Julie Clowes Summit Bank - Tom Duryea FHLB–Kevin Blackburn PCV - Adria Moss Avitus Group - Pete Maki 360 Total Concept - Shonda Scott	10/28/20
Change Management: How to Manage Scope, Schedule & Budget	Learn the principles of planning for the identification and management of changes	PCCD Program Management/ Construction Management PM Panel: AECOM, BRJ, Kitchell, Roebblen, Swinerton	11/12/20
How to Obtain Bonding/Insurance	Learn how to obtain construction bonds and insurance for major projects and how to build bonding capacity for your company	Merriwether & Williams	11/18/20
Learn more about PCCD Small Business Program and Local Small Business Certification	Learn about PCCD's small local business program and how to get certified with local agencies	PCCD - Atheria Smith City of Oakland - Ernestine Nettles Port of Oakland - Ramona Dixon 360 Total Concept - Shonda Scott	12/09/20
How to Prepare Estimate	Learn the principles of how to prepare a construction estimate	AECOM - Peter Morris	12/16/20
Scheduling 101 - How to Prepare A Schedule	Learn the basics about project schedules: from critical path method to work breakdown structure and everything in between	AECOM - Craig Olsen	1/12/21
How Labor Compliance is Implemented at PCCD	Learn what is needed when working under a Project Labor Agreement, including guidelines and challenges that can impact small businesses	TBA	TBA



Meet
The
Expert



Merriwether & Williams
INSURANCE SERVICES
...Of Like Minds

Ingrid Merriwether

CEO

Merriwether & Williams Insurance Services



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Understanding Bonding and Insurance

Presented By:

Ingrid Merriwether

CEO, Merriwether & Williams Insurance Services



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Surety vs. Insurance

- Apples and Oranges
 - Cannot Compare
- Insurance expects loss
- Surety expects no loss
- You purchase Insurance
- You must qualify for surety bonds



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Why do you need Bonding?

- Required on all public work
- Often required by private owners/GCs
- Increased Credibility particularly crucial in Covid-19 environment
- Another relationship to assist your firm's development



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What is a Surety Bond?

- A three party agreement that guarantees a contract or agreement
 - Example: Contract between you and a third party



Surety Bond

- Three Party Agreement
 - Protects another party
 - You cannot buy it
 - You must qualify for it



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Who are the three parties?



- Principal
 - The party that is asked to provide the bond
- Owner
 - The party that is protected by the bond
- Surety
 - Insurance company that writes the bond

Contract Bonds

- Contract bonds guarantee completion of a contract to the owner's satisfaction
- **Components**
 - Bid - guarantees contractor will enter into contract at bid price, if low bidder
 - Performance – guarantee completion of the contract
 - Payment – guarantees laborer, suppliers, and subcontractors will be paid
 - Maintenance or Warranty Bond – guarantees against defects in workmanship or materials for a stated time after acceptance of work



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Before You Bid

- Review your specifications and bond forms to understand your contractual requirements
- Make sure you can qualify for the required bond before you begin the estimating process
 - Be prepared to provide data required by the surety company
- Signed and executed bonds by a surety company must be submitted as part of your bid.



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Things You Need to Know About Surety Bonds



- Surety bond producer/agent/broker
- Surety bond producer/agent/broker should have adequate markets
- Surety companies (markets) should be listed on the Department of Treasury Circular 570 and A.M. Best A-rated
- Cost of bonds can range from 0.5 percent to 4 percent or more

Things You Need to Know About Surety Bonds (cont'd)



- Cost and bondline is based on the surety underwriter's evaluations
- Four Cs:
 - Character
 - Capacity
 - Capital
 - Conditions of the Times

Indemnification

- General Indemnity Agreement
- Surety will expect the indemnity of both your company and you personally
- Applies to all who own 10% or more
- May include your company's assets, home, car, and any other assets



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Surety Underwriting

- Surety's Prequalification Process
 - In-depth look at a Person's Finances – Company and Personal
 - Experience for the required obligation
 - Ability to meet obligations
 - Necessary resources to perform the obligation
 - Professional & Accurate Presentation



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How to obtain bonding

- The Process
- Find the right broker
 - Specializes in surety
 - Surety Bond Markets
 - Reputation
 - Relationship



Benefits of Bonding

- Professional References: Surety team knows accountants, bankers and lawyers who understand
- Business advice: Surety team can share their personal experience on issues
- Funding Verification: The surety will insist on knowing the source and adequacy of funds before it will commit to bonding a project.
- Contract Reviews: Many sureties perform contract reviews to identify contract terms, anomalies in the specifications or bond forms that may be onerous or add undue risk to the project.
- Continuity Plans: Sureties can assist the contractor with a continuity plan to protect the contractor's family, estate, partner, employees and assets.
- Thorough Investigation of Claims and Legal Defense



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Declination

- If declined for a surety bond:
 - Request letter from Surety Company stating why
 - Work on improving situation



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Maintain Bonding Relationships

- Do not hide problems; confront issues directly
- Share all your job cost information
- Solicit assistance from broker and surety company
- Maintain open communication, particularly on difficult projects, so surety is aware of potential



Surety Bond Resources

- Bonding Programs
 - City and County of San Francisco
 - Alameda County
 - City of Los Angeles
 - Los Angeles Metro
- Programs that can assist you with Technical Assistance; Collateral Support; Contract Support



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Insurance



Insurance – A Practical Understanding

- **First Party Coverages**

- Coverage for your direct losses to physical assets you own/lease and insure. Buildings, Personal Property, Tools and Equipment

- **Third Party Coverages**

- Coverage to protect you from others who allege your negligence caused them bodily injury or damaged their property

- **Workers Compensation**

- Compulsory (Mandatory) coverage to cover medical costs and loss wages to your workers injured on the job



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What are the different types of Insurance?

- Commercial General Liability (CGL)
- Workers' Compensation (WC)
- Automobile Liability
- Contractor's Equipment Floater
- Professional Liability (PL), also known as Errors & Omissions (E&O)
- Builder's Risk
- Owner Controlled Insurance Program (OCIP)
- Contractor's Controlled Insurance Program (CCIP)



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Standard Insurance Requirements



- **Commercial General Liability**
 - Limits as stipulated by Owner or GC, never less than \$1M per occurrence / \$2 M Aggregate
 - Naming Owner / GC as Additional Insured
 - Coverages typically include:
 - Bodily Injury
 - Property Damage
 - Products / Completed Operations
 - Personal / Advertising Injury
 - Medical Payments

Standard Insurance Requirements (cont'd)



• Commercial General Liability

- Umbrella / Excess Liability
 - Higher Liability Limits

• Underwriting

- Loss History
- Scope of Work
- Payroll or Gross Receipts

• Exclusions

- Watch out for limitations
 - Residential
 - Townhouse
 - Condos

Workers Compensation

- **Mandated by law**
- **Statutory Limits by State**
- **Employers Liability Limits (egregious negligence)**
- **Underwriting**
 - Loss Experience (EMR)
 - Classification of Employees
 - Payroll – Hourly Rates
- **Safety..Safety...Safety!**
- **COVID Cases W/C Presumptive if Employee is on work site**
- **Most impactful Insurance loading in bids**
 - Good Experience – Competitive Advantage
 - Bad Experience – Harder to Compete



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- **Limits as required, no less than \$1M**
- **Should schedule for Excess Liability – Catastrophic Losses**
- **Seek no less than “Scheduled Non-Owned and Hired”**
- **Underwriting**
 - Schedule of Vehicles / GVW / Values
 - Number of Employees for Non-Owned
 - Driver MVR’s
 - Consider DMV “Pull” Program

Auto Liability



Contractors Equipment Floater

- **First party protection for owned / leased equipment / tools**
 - Cover for Replacement Cost Values
 - Inland Marine form covers at any location
 - May include earthquake
 - Must carefully schedule and update all equipment to be covered
 - Underwriting
 - Losses
 - Storage Security
 - Values X Rate



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Professional Liability or Errors & Omissions

- **Needed for any form of Construction Management / Consulting**
 - Design and/or Engineering
- **Limits dictated by Owner or Prime Consultant – No less than \$1M per Occurrence**
- **Can be project specific or “practice” policy**
- **Claims made – when coverage expires, it expires retroactively**



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Builders Risk



- **Coverage for property damage to a structure under the course of construction including loss or damage to materials intended to be part of the building**
 - Sometimes covered by Owner/GC under a project blanket limit
 - Can purchase a blanket policy to apply to all work throughout the policy period
 - Project specific coverage
- **Underwriting**
 - Loss History
 - Construction Values – Hard & Soft Costs

Builders Risk (cont'd)



- Read contract to confirm who is responsible for procuring and who is responsible for deductible
- What specific coverages are required: Earthquake? Flood? Water Damage? Mold?
- Make sure you are part of “Named Insured” if others purchase coverage
- Contract may stipulate waiver of subrogation disallowing the Builders Risk Carrier from pursuing responsible party

OCIP's & CCIP's or Wrap Ups

- **Project specific coverage being provided by Owner – OCIP or GC – CCIP**
 - Coverages which may be provided
 - General Liability, Builders Risk, Workers Compensation
- **Evidence of Offsite General Liability and Workers Compensation still required**
- **Coverage only applies to “on-site” work**
- **Read bid specs and contract closely**
 - Do you bid with or without insurance loading
 - Are you responsible for any deductibles
 - Carefully calculate your normal insurance load as it may be deducted from your bid, get help from your broker



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OCIP's & CCIP's or Wrap Ups (cont'd)

- You will be informed of coverage limits and terms. Compare to your own standard coverage
- Compliance – You may be required to submit insurance rating information to validate insurance credit
- Owner provided coverages should be excluded from all change orders
- If Workers Compensation is provided you will have to provide monthly payroll information



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OCIP's & CCIP's or Wrap Ups (cont'd)

- **Workers Compensation losses will be included in your own statistical data and experience modification rating**
- **Familiarize yourself with OCIP/CCIP manual including claims reporting procedures and occupational clinics**
- **You may have to participate in a mandatory project safety program**
- **Maintain compliance with OCIP/CCIP requirements it may effect progress or retention payments**



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QUESTIONS?





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