

Insurance Risk Management
Identification of Legal Interests for Closing Certificates

The most confusing insurance related Risk Management issue for all internal and external parties seems to be the *proper identity of entities* in the various insurance coverage certificates. There are two different insurance placement scenarios that usually transpire.

A summary of the *type of project risk* and *how or where* the risk is to be covered is outlined below. It identifies the insurable interests addressed in the Insurance Specifications for Construction and the proper legal identity for insurance policy purposes.

- I. The insurance for the project is placed on a stand-a-lone basis.

The Named Insured is the legal entity name of the Project LP or the Project LLC. All other owner entities for this placement are listed as an Additional Insureds.

Property/Builder's Risk *plus* General Liability Coverage

Named Insured: Project LP or LLC
Additional Insured: National Equity Fund, Inc.
NEF Assignment Corporation, as Nominee

The Project LP or Project LLC is **NOT** covered for the direct construction site exposures. Thus, the Project LP/LLC is named as an Additional Insured under the General Contractor's General/Excess Liability coverage. It is also required that a hold harmless clause be included in the Construction contract.

General Contractor's General Liability

Additional Insured: Project LP or LLC

The Project LP or Project LLC has no direct risk exposure related to the architect's business services provided on the project. Thus, no Additional Insured requirements are applicable.

Architect Coverages

NO Additional Insureds interests

- II. The Sponsor has their own insurance placement, which provides insurance coverage to multiple projects or affiliated entities.

The new project is to be provided coverage under the master insurance program for one or more coverages. The Builder's Risk/Property may be stand-a-lone or part of a master property placement. The project liability exposure is generally covered as part of the master liability policy. Thus, the Project LP/LLC then becomes an Additional Insured along with the NEF equity interests.

Project Property/Builder's Risk *plus* General Liability and Excess Liability

Named Insured: Sponsor/General Partner
Additional Insured: Project LP
National Equity Fund, Inc.
NEF Assignment Corporation, as Nominee

The Project LP/LLC risk exposures do not change as respects the General Contractor or Architect under the Sponsor master insurance program scenario. The Additional Insured interests remain the same.

General Contractor's General Liability

Additional Insured: Project LP

Architect Coverages

NO Additional Insureds interests