



Building Blocks

Construction Financial Management Association
Honolulu Chapter

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Insurance Concerns for Financial Executives and Principals

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Often insurance is a “side bar” consideration and not thought about until late in the process which may pose a problem or risk for an organization. Insurance, as you know, does not cover everything, each policy contains exclusions and limitations. Being aware and making conscious decisions as to what exposures/risks your organization is subject to and what insurance covers is critical to an organization and its success.

Following are some tips.

- **Certificates of insurance** – Certificates are for “informational purposes only”, it does not provide coverage details nor does it convey coverage. It contains general information, no exclusions or limitations are listed. Is the contractor adequately covered or covered at all for the exposures you are subject to? Is coverage only provided for their office, does it cover projects worked on? Is the insurer’s financial rating or security acceptable? These are questions to keep in mind in reviewing certificates of insurance.
- **Audits** – Track your payrolls, construction costs, whatever premium base you are subject to, to avoid dealing with a large additional premium (or return) at expiration. Keep in mind

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President’s Message

By Carl Williams

COUNTRY WESTERN MUSIC

The financial markets are in turmoil ... the credit markets are drying up ... and he’s writing about Country Western Music? What’s up with that? Simple. I don’t know how to solve the problems in Washington, and it’s clear to me that no one in Washington knows how to solve them either.

Back to Country Western Music. One of the benefits of traveling throughout

these Islands and across this country is enjoying the great diversity of our culture – people, food, and music. When travelling in the most rural areas of our Neighbor Islands and in the southern mainland it’s Country Western Music for me. While not necessarily a fan, it’s down home. It’s the voice of the people. It’s the culture. On the West Coast I choose Mariachi Music or the next best Hispanic substitute. You can always find the older sound of classic hard rock or the younger sound of modern alternative

music when in any major metropolitan area on the continent. Then it’s straight back to pure Hawaiian sounds when returning home. Different peoples ... different music ... different cultures.

My advice to those in Washington? Country Western Music. Don’t just bail out Wall Street! Get in touch with your people ... you’re not playing their tune.

Send me a “Howdy” or “Howzit” at cwilliams@cwaassociatescpas.com.

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CFMA My Space

Peter Schwartz

Peter has been to Hawaii many times, he has visited the islands of Hawaii, Kauai, and Maui and his favorite Hawaiian food is Mahi Mahi.

Last book read – Devil in the White City
Favorite Broadway Show – Les Miserables
Favorite Movie – Anything by Alfred Hitchcock
Favorite Sport – Football
Hobby – Golf
Favorite Restaurant – Arnaud's in New Orleans
Favorite Place to Shop – Saks Fifth Avenue
Favorite Beach – Waikiki
Favorite Music – Classical/Jazz
Favorite Stress Reducer – Golf
Favorite way to spend time – w/family



Born & Raised – Riverside County, California

As a country born raised in rural California Peter would come home from tennis practice, saddle up his horse and go horseback riding. He was raised with cattle, citrus and thoroughbred horses.

Like most about job – the people

Challenge in the Construction Industry – availability and cost of credit

Fun Fact about Peter – As a teenager he contemplated a career as a professional musician, he primarily played the piano and the b flat saxophone.

CFMA announced on July 15, 2008 Peter Schwartz as the new President and CEO. Schwartz joins CFMA with more than 25 years of experience in the trade association and non-profit realms.



The winning team! Neill Char, Gerald Takeuchi, Wes Mikuni, & Takushi Nagayama.

that renewal premiums will be due at this time also.

- **Managing Claims** – This is one solution to reducing your insurance premiums and making you a more attractive risk to the insurers. Are you involved in managing your claims? Active involvement in managing claims helps to bring it to closure reducing your cost. Treat employees with care, do not create an adversarial relationship. Involve managers/supervisors and insurers to bring Workers Compensation claims to closure promptly. An effective return to work program, helps to get workers back to duty and reduce claims costs.

- **Typical Coverage Issues** – Common General Liability exclusions: Dust, EIFS (Exterior Insulated Finish Systems), Residential Work, Habitational Conversion, Consolidated Insurance Program (Wrap-ups), etc. Dust exclusion may be “hidden” in another exclusionary endorsement i.e. “Silica Exclusion”.

Contractual liability endorsement CG 2426 is okay however be aware of modified versions which may not provide contractual coverage for additional insureds. CG 2139 is not good, a General Liability policy endorsed with this endorsement will not provide a contractor with contractual liability coverage except for the lease of premises.

Rental equipment coverage for physical damage to the equipment is typically covered on an “actual cash value” (ACV, replacement cost less depreciation) basis. Rental companies require you to provide coverage for the replacement or “value” of the equipment which is more than ACV provided by your insurance, therefore you are responsible for the difference.

“Mobile equipment” as defined under the General Liability (GL) policy will not be covered under your GL policy for projects under a wrap-up as this is a common exclusion. Keep this in mind in the event you transport mobile equipment to an wrap-up jobsite as you will need to arrange coverage for such equipment for the additional insured (lessor) under the wrap-up, since your GL policy will

not provide coverage.

Does your policy provide additional insureds with the proper coverage? The current additional insured endorsement CG 20 10 does not provide the additional insureds with completed operations coverage. CG 20 37 must be provided to provide additional insureds with completed operations coverage.

- **Insurance Contractual Requirements** – Does your construction contract provide you with the necessary insurance coverages/protection? To the contrary, can you satisfy and provide the required coverages?

Do your contractors have adequate and proper coverage, is the term adequate?

Indemnity/hold harmless clauses are broad and typically hold your organization responsible for “any and all claims, damages, and losses”, the GL policy provides coverage for bodily injury and property damage liability only. No professional, errors or omissions, wrongful acts or financial losses are covered.

- **General Liability Residential Construction Wrap-ups** – Owner Coordinated or Contractor Coordinated Insurance Programs (OCIP/CCIP) is your only protection therefore it is imperative that you understand the terms and conditions of coverage. Your General Liability insurance will not provide any coverage as most if not all GL policies contain OCIP/CCIP exclusions. In addition, residential construction may be excluded.

Proper enrollment is essential to ensure that coverage is provided for your operation, official coverage confirmation must be obtained.

There are many risk factors and considerations that you and your organization may be subject to. Careful consideration and attention should be given to all operations and projects to ensure that your business is not subject to risk that may financially hurt your organization. Consult with an agent or broker that specializes and has the experience in construction and development before conducting any work or committing your organization.



Socializing, relaxing and enjoying the moment after a great day!



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Don't let the smiles fool you — Janet Shadron (right) and partner are tough as nails on the course.



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