

# Wise Words

State of Alabama • Department of Finance • Division of Risk Management

ISSUE 4 • DECEMBER 2013



*Consider Your Construction Grade P.1*  
*K-12 Schools: GAP Coverage P.2*  
*Managers Attend STRIMA Conference P.3*  
*What is a Waiver of Subrogation? P.3*  
*From the Employees of Risk Management P.4*

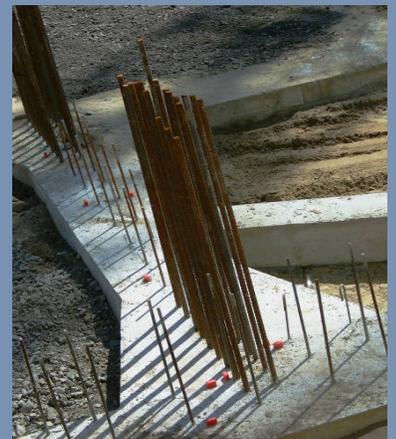
## Consider Your Construction Grade:

Whether you are starting a new construction project or remodeling a portion of your building, it is important to understand the classification of construction grades and how your premium is affected by these grades.

Insurance Construction Classifications are based on four factors, including construction, occupancy, protection and external loss exposures. The Insurance Services Office (ISO), which supplies predictive risk scoring tools to the insurance industry, developed the construction classification system to rate fire-resistive qualities of different construction types. These classes, defined by type and percentage of materials used, determine how long a supporting structure can withstand exposure to fire without collapse.



- Construction Class 1--Frame
- Construction Class 2--Joisted Masonry
- Construction Class 3--Noncombustible
- Construction Class 4--Masonry Noncombustible
- Construction Class 5--Modified Fire Resistive
- Construction Class 6--Fire Resistive



Structures with classifications of ISO-1, 2, or 3 have a higher premium than structures rated ISO-4, 5, or 6.

**BE CAREFUL!** Before replacing a roof or starting a remodeling project, be sure that your building materials match the construction grade of your current structure. You don't want to increase your premium by saving money on the materials used.

## Wise Words

is a publication of the  
Department of Finance,  
Division of Risk Management  
for the State of Alabama.



### **Acting Director of Finance**

Bill Newton

### **Risk Manager**

Ben M. Spillers

We greatly appreciate the contribution of the following individuals to this issue:

Ben Spillers

Hank Draughon

Kim Huggins

Max Graham

Melanie Cleveland

Bob Smith

## Wise Words

777 South Lawrence St

Montgomery, AL 36130-3250

334-223-6120 Office

334-223-6154 Fax

Website: [www.riskmgt.alabama.gov](http://www.riskmgt.alabama.gov)

Email: [riskinfo@riskmgt.alabama.gov](mailto:riskinfo@riskmgt.alabama.gov)

If you want to receive this publication via email,  
please send your request to:

[edward.morgan@finance.alabama.gov](mailto:edward.morgan@finance.alabama.gov)

# K-12 School Systems: GAP And GAP Plus Coverage

What is GAP/GAP Plus Coverage and why does my K-12 school need this?



GAP coverage gives K-12 schools the option to make construction improvements in the event of a total loss of their building. It is offered in addition to the replacement cost values of ISO1, ISO2 and ISO3 construction grade buildings.

GAP provides the ability to increase square footage, by building, in five percent increments up to a 25% maximum.

Gap Plus allows additional coverage for items not typically covered by insurance companies

- Site preparation
- Parking lots
- Underground wiring/plumbing
- items related to but not part of the buildings

The rate is 10% of the building's value.

The State Department of Education as well as State Legislators requested for GAP coverage to be added automatically to the schedules sent out on October 1st. This coverage allows education administrators in the event of a total loss to build back a school to today's educational standards and needs.

If you have specific questions about GAP coverage, please contact our

Underwriting Department.



# Managers Attend STRIMA Conference



Managers from the Alabama Division of Risk Management attended the 2013 National STRIMA Conference in Nashville, Tennessee on September 15-19, 2013. The conference provided our staff with valuable information and industry trends for state risk managers.

One of the main benefits of the conference was for our state to discuss similar challenges and solutions with peers in other states. There were 40 states represented at the conference, including Alabama, which was represented by Ben Spillers, Kim Huggins, Max Graham and Melanie Cleveland.

State Risk and Insurance Management Association (STRIMA) brought together risk and insurance managers of state governments to promote the advancement of risk management principles and practices in the public sector. STRIMA's goal is to promote the highest level of professional and ethical standards. The state membership exchanged information through round-table discussions and took advantage of training opportunities.

## What Is A Waiver of Subrogation?

You may have already heard the warning about waivers of subrogation, but there is still a need for clarification on the subject...

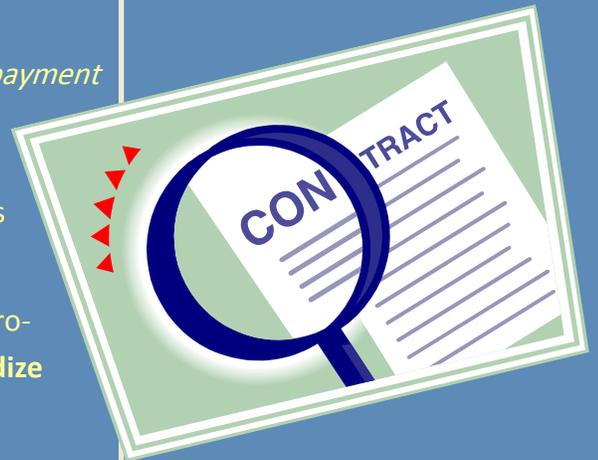
Subrogation is defined as, *"the transfer of the right to receive payment of a debt to somebody other than the original creditor"*. Under the SIF standard policy, Risk Management has a contracted right to pursue any responsible party for payments made for damages resulting from a covered loss.

- A waiver of subrogation takes away the ability of the SIF to subrogate, and under the terms of the standard policy, it **may jeopardize your coverage**.

### Never sign a waiver of subrogation!

*We strongly suggest:*

- Examine all the documents used in your construction projects to make certain there are no terms that might provide a waiver of subrogation.
- If you have questions regarding your contracts, contact our Risk Management legal representative.
- The Building Commission website ([www.bc.alabama.gov](http://www.bc.alabama.gov)) has sample construction contracts for download.





# From the Employees of Risk Management



**Claims Department Staff**



**Ben Spillers, Risk Manager and  
Office Staff / Administrators**



**IT Department**



**Loss Control Department Staff**



**Underwriting Department Staff**



**Employee Injury and Employee Assistance Staff**

