



Property Repair Tips

Obtaining a Good Property Building Contract

Experiencing property damage due to a catastrophic event can be stressful and rebuilding can seem unmanageable. Use these tips to help you through the repairing and/or rebuilding process so you can get your property repaired and back in working order.

It's important that you have a well-written contract that has been studied by a lawyer and is fully understood by all parties involved. A good contract should include the following specifications:

Itemized Estimate & Statement of Work

The best contractor estimates will itemize all of the work to be done and the cost of the specific work. This will facilitate agreement between your insurance company and the contractor in reaching an agreed cost of repairs. Contracts that simply give a lump sum figure for repairs may leave key repair items undone or overcharge for certain other repair items.

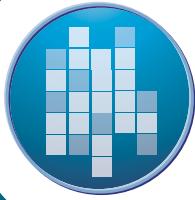
The estimate should also include a start and end date for work with consequences if commitments are not met. Lastly, you should not be required to pay more than a 15 percent deposit to begin the work.

Clearly Defined Payment Schedule

Most contracts have payments spread out in increments during the course of the construction period. A payment schedule tied to the completion of specific stages of construction and a withholding of 5-10% of each periodic payment will help ensure completion of all items at the end of the construction period.

The payment schedule should also include the following details:

-  **Inspection Reports:** Requests for progress payments should require inspection reports to be submitted in order to verify that all work was inspected and meets code requirements.
-  **Waiver of Liens:** The contract should include a clause containing an affirmation by the contractor as to the "waiver of liens" and an acknowledgment by the contractor that all payments are made in specific reliance on such representations.
-  **Staff Payments:** Each incremental payment request should also be accompanied by appropriate paperwork establishing that all material and suppliers, subcontractors, and workers have been paid to date.
-  **Final Inspection:** The last payment should not be due until after your final inspection, all code and permit inspections are complete, a certificate of occupancy is received (if required), and the contractor and each supplier and subcontractor provides a release and lien waiver.
-  **Final Payment:** Never release the last payment until all work is completed. Once that is done, have the contractor sign an affidavit stating that all subcontractors, employees, and building supplies have been paid. This protects you from future civil liens against your property or business.



Risk Insurance Brokers

You may want to consider placing your construction money/insurance proceeds in an escrow account with your bank or attorney. Also, if the contract is with a company, be sure to make all checks payable to the contracting company, not in an individual's name and do not make cash payments.

Specifications

Lastly, the contract should clearly specify the following:

- Who will obtain permits and in what name—you should never be responsible for obtaining the permits.
- The contractor must be fully licensed and insured. Make and keep a copy of any licenses.
- Only subcontractors that are fully licensed and insured will be used.
- All contractors will be in compliance with all permitting and inspection requirements.
- All inspections will be conducted by your local building authority.
- How changes and/or cancellations are to be handled.
- Warranty exceptions.

Find a Contractor in Your Area

Need help finding a qualified contractor? Use the following resources to locate licensed contractors:

California Contractor State License Board

www.cslb.ca.gov/consumers

800.321.2752

Contractor's License Reference Site

Click on the map to see if a contractor is licensed in the particular state:

<http://www.contractors-license.org>

Reference sources for additional information:

Federal Emergency Management Agency: www.FEMA.gov

Small Business Administration: www.SBA.gov

National Insurance Crime Bureau: www.NICB.org

For additional information, you can also contact your state's department of Insurance or licensing board.

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