

# The Best 101 Guide to Builders Risk Insurance

Learn about coverage options, policy types, and more for the Builders Risk Plan insured by Zurich.



# Introduction

Whether you're a seasoned contractor, homeowner or business entity, you face a host of risks throughout construction that could result in more out-of-pocket expenses.

That's where builders risk insurance, also known as course of construction insurance or even remodeling insurance, comes in.

Sold by a multitude of global, national and regional insurers, builders risk insurance is easy to obtain - but not all policies are created equally. Ensuring the proper coverage, limits and policy type are in place requires a fundamental understanding of the industry and the associated risks likely to occur during the course of construction.

In this guide, we use the 45+ years of insight our company has accumulated as the exclusive administrator for the Builders Risk Plan insured by Zurich to teach you the basics.



## Get a builders risk quote today.

US Assure does business nationally with thousands of insurance agents and brokers. Your local insurance professional can assist you in securing coverage for any of the products available through us.

# What is builders risk insurance?

Builders risk is designed to cover unique exposures that are typically not included in contractors liability or homeowner insurance policies.

In short, builders risk insures a structure while under construction.

Its coverage protects a person's or organization's insurable interest in materials, fixtures and / or equipment to be installed during the construction or renovation of a building or structure should those items sustain physical loss or damage from a covered cause.

The policy is often required as a condition to meet banking or other contractual arrangements. A standalone builders risk policy does not provide coverage for workplace accidents and injuries or liability coverage.



## When do builders and owners purchase builders risk?

Don't wait until your exposure is at its greatest.

Purchases should occur before or on the date of construction when the contract is finalized, which means you'll need to act promptly before the project is underway.

If you start construction without securing builders risk coverage, you will need to provide the percentage of construction completed during the application process, in addition to the total completed value. Projects greater than 30% complete are eligible through our program, but are subject to additional underwriting review.

It's best to avoid the hassle and apply for coverage before the project starts.

Demand for a builders risk policy is time-sensitive. Most policies are purchased before or on the date of construction when the contract is finalized, which means you'll need to act promptly in order to secure coverage.

## Who buys builders risk insurance?

Given the broad scope of potential clients, the term can be misleading.

Individuals or entities, including contractors, business owners, homeowners, or financial institutions, are often primary builders risk clients. The terms of the construction contract will dictate whether a contractor or project owner will be required to purchase builders risk coverage.

The Builders Risk Plan insured by Zurich allows for the policy to be purchased in the name of the owner or builder. Contractors and other parties of interest may also be protected under an additional named insured clause.

Should you choose to add the builder or owner as an additional named insured, be sure a waiver to subrogate is clearly outlined in the construction contract or agreement. This will protect the interest of additional named insureds should property damages occur during the course of construction.

## The US Assure Builders Risk Plan insured by Zurich can accommodate a wide range of clients, including but not limited to:

- ✓ Owners
- ✓ Builders
- ✓ Contractors
- ✓ House flippers
- ✓ Development companies
- ✓ Investment companies
- ✓ Retail companies
- ✓ School districts

Builders risk clients are often individuals or entities, including contractors, business owners, homeowners, or financial institutions.

## How do you determine the project value?

Before choosing policy or coverage options, you should work with your insurance agent to determine the total completed project value.

“Total estimated completed value” means all the costs associated with the building and designing of the Covered Property including labor, “overhead” and materials, and if included, “profit.”

**Examples of covered costs for total estimated completed value include but are not limited to:**

- Materials such as windows, landscaping and pools.
- Design expenses such as architect fees, site lighting, existing facilities analysis and zoning modifications.
- Overhead payments such as payroll, utilities and administrative charges.

Be sure to exclude land from the total project-value estimation.

Changes to the completed value commonly occur during the course of new construction. Because coverage is based on total completed value, any changes that occur during construction to increase the value of the structure should be reported to your insurance agent, and the policy should be endorsed to reflect the correct value.

The US Assure Builders Risk Plan offers a change order endorsement at 10, 20 and 30% of the completed value to provide proper coverage for upgrades and other structural enhancements. This change order endorsement may be purchased at policy inception or during the course of construction.

Changes to the completed value are likely to occur during the course of new construction. Because coverage is based on total completed value, any changes that occur during construction to increase the value of the structure should be reported to the insurance agent, and the policy should be endorsed to reflect the correct value.

# How do you choose the right policy type?

Whether the construction project is a multimillion-dollar commercial renovation, new starter home or roof installation, the US Assure Builders Risk Plan has you covered.

Our builders risk insurance is comprehensive in scope, but it can be customized to fit specific project needs.

In general, construction can be categorized into three projects types: new construction, remodeling or installation.

Here are four common policy options offered through the US Assure Builder Risk Plan insured by Zurich.

1

Single policy for contractors or owners with new construction, remodeling or installation project

2

Reporting form policy for contractors with multiple residential and commercial new construction projects

3

Blanket deposit premium policy for contractors with residential or commercial new construction averaging 50\* or more builds a year

4

Blanket installation policy for trade contractors with residential and commercial projects

\*As few as 25 new project starts a year can be considered

## Matching your project with the right policy type

The table below summarizes the target customer and eligible project types for each policy option.

Policy Type	Customer Type	Project Types
<b>Single / One Shot</b>	Owners and builders with four or fewer starts per year	Residential up to any size and value, and commercial structures up to \$10 million in value; new construction, remodeling and installation
<b>Single Structure / One Shot – commercial projects valued over \$10 million</b>	Owners and builders with four or fewer starts per year	Residential up to any size and value, and commercial structures up to \$10 million in value; new construction, remodeling and installation
<b>Reporting Form - Residential</b>	Contractors with multiple new construction projects per year	New construction and renovation projects with no existing structure
<b>Reporting Form - Commercial</b>	Builders typically developing similar commercial structures (e.g. schools, strip malls)	Large commercial projects over \$10 million
<b>Blanket Deposit Premium</b>	Builders with 50* or more project starts per year	Residential or commercial structures
<b>Single or Blanket Installation</b>	Trade contractors	All types of residential and commercial installation

\*As few as 25 new project starts a year can be considered

## How do you select the right coverage for the risk?

Losses can extend beyond the costs of materials and labor. During the course of construction, a structure is exposed to many perils. Fire, wind and theft can be devastating, but not adequately insuring your construction project can be even more severe when you consider the potential loss involved.

The US Assure Builders Risk Plan insured by Zurich offers protection for a wide range of named perils, including but not limited to:

- ✓ Property damage
- ✓ Theft
- ✓ Vandalism
- ✓ Fire or lightning
- ✓ Arson
- ✓ Collapse
- ✓ Windstorm or hail

The following additional coverages are also included with the Zurich Builders Risk Plan. In most cases, you have the option to purchase increased limits where appropriate and depending on the project type.

- ✓ Materials in transit and at temporary locations
- ✓ Ordinance or law
- ✓ Debris removal
- ✓ Fire department service charge
- ✓ Scaffolding, construction forms, etc.
- ✓ Back up of sewers, drains or sumps
- ✓ Pollution clean up
- ✓ Scaffolding re-erection
- ✓ Valuable papers

Depending on the coverage form, project type and total completed value, you may also purchase a number of other endorsements — including flood and earthquake in some states — to expand the already extensive coverage offered on the Builders Risk Plan form, subject to underwriting guidelines.

Keep in mind, the coverage form for the Builders Risk Plan insured by Zurich is a very broad policy. Coverage forms are not standard in the marketplace and vary by the insurance provider. It's important that you have an understanding of any exclusions when reviewing the policy type and coverage offering.



## How do you choose a provider?

Partnering with a construction expert that also offers financial stability and reliability is the best place to start.

Providers like US Assure and Zurich — that practice sound and consistent underwriting, have expertise in construction, and remain consistent with respect to appetite and pricing — are proven reliable partners.

## What do you need to get started?

Expect to provide the following basic information to begin a builders risk application with your insurance agent:

- ✓ Insured name and mailing address
- ✓ Builder information, including name, years of experience, number of structures built or remodeled in last 12 months, projected number of structures built or remodeled for the next 12 months, and loss history
- ✓ Property information, including the project address, total completed value, type of construction material, fire protection class, square footage, and number of stories



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## About US Assure

US Assure distributes, underwrites and services construction and property insurance products across the U.S. for "A" rated carriers — and we've done so for more than 45 years. Our expertise lies in builders risk coverage, exclusively backed by Zurich. From single-family homes to commercial projects valued up to \$75 million, we've got you covered during construction, from the time the ground is cleared to the installation of the final finishes. Additionally, we supplement this with products for premises liability, vacant structures and rental homes.

## Contact Us

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US Assure is an independent, third-party administrator managing policy processing for certain builders risk policies issued by Zurich and its affiliated companies. US Assure does business as US Assure, Inc. and US Assure Insurance Services of Florida, Inc. In California, US Assure operates as InLink Insurance Services (CA license # OD44490).

This is intended as a general description of certain types of insurance and services available to qualified customers. Any description of policy provisions is meant to give a broad overview of coverages and does not revise or amend a policy. Refer to the policy coverage form for a complete representation of the scope of coverage, terms, conditions, exclusions and more. The policy is the contract that specifically and fully describes your coverage. Some products may not be available in all states and may only be offered on a non admitted basis. Product availability is subject to change.