

Is Homeowners Insurance Enough for My Remodel?

A Builders Risk Coverage Comparison

Explore how the two policies differ and identify where coverage gaps might exist.



“Why do I need builders risk insurance if I already have a homeowners policy?”

It's a common question. The answer is: homeowners policies typically don't offer the robust coverage you need to recover from loss during the course of construction.

For homeowners planning new construction from the ground up or renovation projects on their existing property, such as new room additions or kitchen and bathroom remodeling - it's important to have coverage in place to protect against unforeseen costly losses. This resource reviews the basic coverages offered in builders risk and homeowners policies to identify where coverage gaps could exist.

Prior to consulting their insurance agent, insureds often mistakenly assume their existing permanent property provider will cover renovations. While policies will differ from carrier to carrier and vary depending on coverage endorsements and policy exclusions, standard homeowners and builders risk insurance are each designed for different exposures.

How do homeowners and builders risk policies differ?

Builders risk insurance is property coverage that protects an owner's insurable interest in materials, fixtures and / or equipment to be installed during the construction or renovation of a structure should any of those items sustain physical loss or damage from a covered cause.



Homeowners insurance is also a form of property insurance, but is designed to protect an individual's home against damages to the existing structure or possessions in the home, as well as provide liability coverage against accidents occurring in the home or on the property.

Both policies offer valuable coverage benefits for separate types of risks; however, you shouldn't rely on a homeowners policy to financially protect you during renovation.

When selecting a builders risk policy, you can find peace of mind knowing claims against your homeowners policy will be minimized should a loss occur during remodeling.

A builders risk policy can also provide term extensions and renewals, the ability to include or exclude the existing structure during remodeling, and the option to expand coverage limits should contract change orders increase the project value.

Coverage Comparison


As the following chart shows, there are some coverages that both policies provide. However, there are notable differences in limits.

| Coverages | Builders Risk Plan Insured by Zurich | Typical Homeowners Insurance Policy |
|---|--|--|
| Fire department service charge | \$25,000 default limit included | \$500 coverage |
| Transit | \$25,000 or 5% of completed value, whichever is greater | Limited to \$250 to \$500 for business purposes only |
| Existing buildings or structures | Coverage available if another policy covering the existing structure is not in-force | Dwelling coverage |
| Permission to occupy | Up to 90 days for single-family homes | 100% occupancy if by owner |
| Outdoor trees, shrubs, plants and lawns | Included | 5% of dwelling limit, \$500 maximum for any one tree, shrub or plant |
| Expediting expense | Can be endorsed | Included in dwelling limit |
| Debris removal | \$50,000 default limit up to \$5M; \$100,000 default limit if greater than \$5M | 5% of dwelling limit, and a separate limit for tree removal, often between \$500 to \$1,000, depending on the policy |
| Extra expense | Can be endorsed | Limited by the "loss of use" provisions in the policy |

Coverage Comparison

That’s where the similarities between the two types of insurance policies end. Other exposures that are not covered by homeowners insurance but are covered by builders risk insurance with the option to increase coverage limits include (but are not limited to):

| Coverages | Builders Risk Plan Insured by Zurich | Typical Homeowners Insurance Policy |
|------------------------------------|---|-------------------------------------|
| Backup or overflow of sewers | \$25,000 default limit included up to \$5M; \$50,000 default limit if greater than \$5M | No |
| Pollutant Cleanup | \$25,000 default limit included up to \$5M; \$50,000 default limit included if greater than \$5M | No |
| Scaffolding, construction forms | \$50,000 default limit included up to \$5M; \$100,000 default limit if greater than \$5M | No |
| Scaffolding re-erection | \$25,000 default limit up to \$5M; \$50,000 default limit if greater than \$5M | No |
| Temporary storage | \$25,000 or 2.5% of the completed value, whichever is greater | No |
| Reward for job site crimes | Up to \$25,000 | No |
| Interest of subcontractors | Included | No |
| Contract change orders | Endorsement available | No |
| Subdivision fences, walls, etc. | Endorsement available | Yes, if within 1,000 feet of home |
| Soft costs | Endorsement available | No |
| Flood damage | Endorsement available | No |
| Earthquake damage | Endorsement available | No |
| Named storm – windstorm deductible | Endorsement available | No |



Remember:
Builders risk and
homeowners insurance
policies each have distinct
purposes.

While certain events are not covered by either of these two policies, there are additional features available that aren't fully covered in this guide.

Builders risk insurance provides even more than protection - it:

- Delivers flexibility to include or exclude the existing structure
- Offers renewable policy term options should the project timeline change
- Allows for expansion of coverage limits should change orders increase project value
- Reduces the chances you'll need to report a loss to your homeowners insurance provider

We hope you find this information helpful in determining the appropriate level of coverage for your next course of construction project.



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.

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.

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