

From Groundbreaking to Remodeling: **Builders Risk 101 Guide**



InsuranceLink
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Builders Risk 101: From Groundbreaking to Remodeling

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 to complete the project.

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

Sold by a multitude of global, national and regional insurers, a builders risk policy is easy to obtain – but not all policies are created equal.

This guide provides insight about the fundamentals of builders risk insurance. In it, we'll use our extensive experience providing comprehensive coverage to teach what you need to know to secure the right level of protection.

What is builders risk insurance?

A policy designed to cover unique exposures not typically included in contractors liability or homeowners insurance.

In short, builders risk insurance covers a residential or commercial structure while it's under construction.

Builders risk 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 structure. Of course, the policy only covers losses or damage sustained from a covered cause, such as fire, theft or weather-related catastrophes.

This type of coverage is typically required to comply with government regulations or as a condition of a lender if the structure is being financed. However, this standalone policy does not take the place of a contractors general liability policy, which covers workplace accidents or injuries sustained on the job.

Who can – and should – buy builders risk insurance?

Depending on the project, there are several parties with a financial interest in the structure who may be eligible for a builders risk policy, including:

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

The terms of the 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. However, contractors and other parties may also be covered under an additional named insured clause.



When should builders risk coverage be purchased?

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

Purchases should occur prior to 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 begin 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. It's best to avoid the hassle and apply for coverage before the project starts.

Timing is Everything

Obtaining a builders risk policy is often time-sensitive. Most policies are purchased before or on the date of construction when the contract is finalized. The good news is, InsuranceLink can issue a policy and provide proof of coverage the same day.

How do you determine the project value for new construction?

Let your construction agreement guide you.

Your insurance premium is drawn from factors like the total project value — and there's a lot that goes into that number. Total completed value is defined as the total of all costs associated with the covered project to include:

- Design
- Labor
- Material
- Construction
- Overhead
- Building profit (an optional endorsement)

One high-value item that's intentionally left out? The cost of the land. Be sure not to include land in your total project value estimation.

To ensure accuracy of your total project value calculation, carefully review your construction agreement or cost breakdown.

Total Project Value: Part Magic Number, Part Moving Target

In the (likely) event that change orders increase your project's total value, contact InsuranceLink to update the scope of coverage for your policy. Without it, you will be responsible to cover gaps in coverage should a loss occur.

It's common for policyholders to forget the need to report change orders to their insurance provider. For your convenience, you can add a change order endorsement at 10, 20 or 30 percent of the completed value to your policy. This extra coverage endorsement can be purchased at the time you secure the policy, or as you need it throughout the course of construction.

Change Orders Happen

Changes to the completed value are common during the course of construction.

Because builders risk is based on the total completed value, any changes that increase the structure's value should be reported so the policy can be adjusted accordingly.

How do you choose the right policy?

From custom homebuilding to multi-million-dollar renovations and roof installations, we've got you covered.

Our builders risk insurance is comprehensive in scope, but it can also be customized to your needs. Most construction projects can be categorized into three buckets: new construction, remodeling or installation. The right policy type and coverage offering will vary based on the buyer and project type.

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

1

Single Project

Policy for contractors or owners with one new construction, remodeling or installation project

2

Reporting Form

Policy for contractors with multiple residential and commercial new construction projects valued up to \$3M

3

Blanket Deposit Premium

Policy for contractors with residential or commercial new construction averaging 25 or more builds a year

4

Blanket Installation

Policy for trade contractors with residential and commercial projects



How do you select the right coverage for the risk?

Losses often extend well beyond the costs of materials and labor.

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 Builders Risk Plan insured by Zurich offers protection for your investment from many risks, including:

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

But the standard coverage doesn't stop there — the following coverages are also included in your policy (with the option to increase limits where appropriate):

- Materials in transit and at temporary locations
- Ordinance or law
- Scaffolding re-erection
- Valuable papers
- Debris removal
- Pollution and clean up
- Scaffolding, construction forms, etc.

Depending on your project, you can also purchase additional coverage for floods and earthquakes in some states and a host of other exclusive coverages. Of course, all additions are subject to approval and availability.

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 addressed in your policy.

How do you choose the right builders risk provider?

Construction expertise and proven reliability are a great place to start!

To get the confidence you need to build or remodel, look for a carrier that:

- Is financially stable and rated "A" by A.M. Best
- Has a positive claims handling reputation
- Is recognized for their construction expertise
- Has a proven history of market reliability and commitment even after natural disasters

How do you choose the right builders risk provider?

Applying online with InsuranceLink and securing the Builders Risk Plan insured by Zurich is a snap:

Simply visit insurancelinkdirect.com and have the following information handy:

1

Applicant information

Name and mailing address of insured

2

Builder information

Name, experience level, structures built in the last 12 months, projected structures for the next 12 months, loss history

3

Property information

Address, total completed value, type of construction, fire protection class, square footage, number of stories

Apply Online Now ▶

Want to know more?

No two construction projects are alike. They're all complex in their own way. This guide covered the basics, but of course, there is much more to know about the ins and outs of builders risk coverage.

Check out the additional resources available at insurancelinkdirect.com, or contact our team of experts at **(800) 431 - 4836**.



About InsuranceLink

InsuranceLink is a licensed insurance agency offering construction and property insurance products across the U.S. from "A" rated carriers. Our expertise lies in builders risk coverage, exclusively backed by Zurich for single family homes to commercial projects valued up to \$75 million. Additionally, we supplement this with products for premises liability, vacant structures and rental homes. Learn more at insurancelinkdirect.com.



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This is intended as a general description of certain types of insurance and services available to qualified customers. The policy is the contract that specifically and fully describes coverage. The description of the policy provisions gives a broad overview of coverages and does not revise or amend the policy.

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