

# Is Homeowners Insurance Enough for My Remodel?

A Builders Risk Coverage Comparison



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## “I already have homeowners insurance. Why do I need builders risk?”

It’s a common question. And more often than not, a common assumption is that a homeowners policy would cover any damages or losses on the property. In fact, contractors may also assume their work will be covered by the homeowners policy during a remodel, but that usually isn’t the case.

Whether it’s a complete overhaul to the structure or a simple project like adding a bathroom, it’s crucial to have the right level of protection should the unexpected occur during construction.

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### Before we dive into comparing the two policy types, let’s define them:

- **Builders risk insurance**  
Designed to protect an owner, contractor or other party with a financial interest in the project from loss or damage, including materials, fixtures or equipment to be installed.
- **Homeowners insurance**  
Designed to protect an owner’s property against damages to an existing (completed) structure and the possessions inside, as well as liability against accidents that take place at the location.

Both policies provide valuable benefits designed to protect the homeowner, but homeowners — and contractors — shouldn’t rely on the homeowners policy during the course of construction or renovation.

Of course, coverage will differ from policy to policy. But as a general rule, a standard homeowners policy could leave homeowners, contractors or other parties with an interest in a construction project at risk if a loss takes place.

We created this guide to highlight some of the key difference between a standard homeowners policy and a builders risk policy.

## Similar But Not the Same: Coverages Included in Both Policy Types

As you can see in the chart below, multiple coverages are insured by a standard homeowners and builders risk policy. However, the limits may surprise you:

| Coverages  | Builders Risk Plan Insured by Zurich  | Typical Homeowners Insurance Policy  |
|--|---|--|
| <b>Fire department service charge</b>  | \$25,000 default limit included   | \$500 coverage   |
| <b>Materials in transit</b>  | \$25,000 or 5% of completed value, whichever is greater                               | Limited to \$250 to \$500 for business purposes only   |
| <b>Existing buildings or structures</b>  | Coverage available if another policy covering the existing structure is not in-force. | Dwelling coverage  |
| <b>Permission to occupy</b><br>(i.e., residing in parts of the building during construction) | Up to 90 days for single-family homes   | 100% occupancy if by owner   |
| <b>Outdoor trees, shrubs, plants and lawns</b>   | Included  | 5% of dwelling limit, \$500 maximum for any one tree, shrub or plant   |
| <b>Expediting expense</b><br>(i.e., the additional costs of rushing materials)               | Can be endorsed   | Included in dwelling limit   |
| <b>Debris removal</b>  | \$50,000 default limit up to \$5M;<br>\$100,000 default limit if greater than \$5M    | 5% of the dwelling limit, and a separate limit for tree removal, often between \$500 to \$1,000, depending on the policy |
| <b>Extra expense</b><br>(such as lost income due to delayed completion)                      | Can be endorsed   | Limited by the "loss of use" provisions in the policy  |

## Costly Exposures Only Covered by a Builders Risk Policy

There are several additional exposures that homeowners, investors or even contractors could be on the hook for if a builders risk policy wasn't in place:

| Coverages  | Builders Risk Plan Insured by Zurich   | Typical Homeowners Insurance Policy |
|--|--|-------------------------------------|
| Backup or overflow of sewers   | \$25,000 default limit included up to \$5M;<br>\$50,000 default limit if greater than \$5M | No                                  |
| Pollutant cleanup  | \$25,000 default limit included up to \$5M;<br>\$50,000 default limit if greater than \$5M | No                                  |
| Scaffolding, construction forms  | \$50,000 default limit up to \$5M;<br>\$100,000 default limit if greater than \$5M         | No                                  |
| Scaffolding re-erection  | \$25,000 default limit up to \$5M;<br>\$50,000 default limit if greater than \$5M          | No                                  |
| Temporary storage  | \$25,000 or 2.5% of the completed value,<br>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 from home |
| Soft costs<br>(such as construction loan interest, advertising expenses, architect, legal and accounting fees, taxes and other expenses) | Endorsement available  | No                                  |
| Flood damage   | Endorsement available  | No                                  |
| Earthquake damage  | Endorsement available  | No                                  |
| Named Storm – Windstorm Deductible   | Endorsement available  | No                                  |
| Endorsement available  | Endorsement available  | No                                  |
| Waiver of coinsurance  | Endorsement available- form waves coinsurance if claim is \$25,000 or less                 | No                                  |

## Is Homeowners Insurance Enough for My Remodel? A Builders Risk Coverage Comparison.

This information is designed to provide a high-level comparison of typical builders risk and homeowners insurance policies. Additional endorsements and coverages are available for each policy type.

### **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 construction project.

### **Ready to renovate with confidence?**

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## 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](https://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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