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Answering Agents' Top Builders Risk Questions: Residential New Construction

Residential new construction is a very commonly quoted type of builders risk, but that doesn't mean it's without challenging intricacies. Whether your client is a homeowner, property owner or contractor, the answers to their builders risk questions can change. If you have burning builders risk questions to answer before you're ready to start quoting their coverage, this collection of frequently asked questions was designed just for you.

As the nation's number one builders risk program, we receive questions from agents and brokers across the country on the topic of builders risk insurance for new home construction. In this resource, we answer some of the most common questions so you can confidently advise clients and help ensure their vision is properly protected throughout the course of construction.

Nuts and Bolts

Q: Should a builders risk policy be purchased in the name of the contractor or the homeowner?

A: One great feature of builders risk insurance is that a policy can be written in the name of either the contractor or the homeowner. Policy features, benefits and terms remain the same, no matter who is identified as the insured. Remember that the named insured has some contractual rights and benefits under the insurance contract. Your client will retain those rights as the policyholder, regardless of whether your client is the contractor, homeowner or other entity.

Q: How is the project value determined?

A: Zurich defines total completed value as the total of all costs associated with the building and designing of the covered property, including labor, overhead and materials. The total completed value excludes land cost. In addition to the building and design costs, your builders risk client may choose to insure a percentage of the building profit. Ask your client to share a copy of the construction agreement or cost breakdown to review a list of required coverages and verify the total completed value.

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Q: What policies are available for residential new construction?

A: Agents and brokers can secure builders risk coverage for nearly any residential new construction project under a single structure policy (also known as a one shot) or a reporting form policy.

Single structure builders risk policies are designed to cover one specific structure or project under construction. This policy is ideal for homeowners or contractors insuring one project within a given time. These policies typically have a 12-month policy term, with the option to renew.

A residential reporting form is designed to help contractors and their insurance agents manage coverage for multiple new construction projects under the same policy. This policy must be issued under the contractor's name and requires periodic reporting of new project starts or inventory depending on the annual or monthly rate selected by the contractor. If your client is comfortable managing the ongoing reporting requirements and associated premium payments, this might be a convenient policy to insure your contractor client.

Q: What is the difference between new construction and remodeling?

A: Often, we find certain scenarios make it challenging for clients and agents to identify whether the project is new construction or remodeling. When securing a builders risk policy where coverage and exposures may vary depending on the project type, it is important to understand the differences.

Residential new construction is built from the ground up, where there was no previous existing structure before the project work began, and it has yet to be put to its intended use.

If there is an existing structure that will be modified in some manner (including adding a new addition to an existing structure), the project is considered remodeling rather than new construction. Additionally, if the structure was demolished but the foundation remains, the project can be considered remodeling in some cases.

Coverage and Policy Options

Q: What considerations are key when comparing homeowners and builders risk policies?

A: One of the biggest considerations when comparing policies for residential new construction is cost. It is typically more cost-effective to choose a builders risk policy than a homeowners insurance policy for residential new construction, because the policyholder is not paying to cover contents — just the structure to be built.

Builders risk policies also include coverages that are not typically available in homeowners insurance policies, including debris removal, pollution clean-up, property in transit and even property stored offsite in a temporary location.

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Another consideration is the length of time coverage is available. While some homeowners insurance policies do include endorsements that cover structures under construction, coverage may be limited to twelve months, after which time the policy would expire. If the project is delayed or remains unoccupied, coverage would not continue past the policy term. Whereas in builders risk insurance, there is an opportunity to renew.

Q: Is there an option to increase the coverage limits, should the insured change materials or fixtures during the course of construction?

A: Homeowners often change their minds about building materials after the start of construction, and change orders are routine in residential construction. If policy limits are not properly adjusted to reflect the change in increased value, a loss could leave your client underinsured and with possible penalties.

Some providers, including the Builders Risk Plan insured by Zurich, offer additional protection to cover such change orders, helping the client avoid possible coinsurance penalties if a claim should occur before the increase in completed value is properly reported to the provider. The added protection is done as a change order endorsement for additional coverage of up to 10, 20 or 30 percent increments should the total value increase during the policy term. The endorsement provides the insured with peace of mind knowing that coverage is in place if it is needed to protect them from additional loss.

Q: What benefits does the insured gain when purchasing a reporting form or blanket policy?

A: The reporting form is continuous, meaning there is no expiration date for the policy. Instead of issuing a separate, new insurance policy for the start of every new construction project, the single reporting form or blanket policy covers all of the new homes being built.

The benefit for your client is that once they have a reporting form or blanket policy in place, they know up front what their rates and coverages are under the insurance contract, subject to underwriting guidelines.

Another benefit for contractors is that they might be able to take advantage of a large builder credit if they build more than 50 homes in a 12-month period.

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Misconceptions

Q: Why would my residential clients need soft cost coverage?

A: When a covered loss occurs, there could be unexpected expenses for homeowners such as additional building permits, interest on construction loans, insurance premiums, architects fees and more. Soft cost coverage provides insurance protection for costs that arise solely because of a covered loss.

It is important to note that coverage is not automatic just because soft cost is included in the policy; those expenses are only covered when a covered cause of loss is the reason the soft costs' expense was re-incurred. Often, the policy contains a deductible, calculated by the number of days the project is delayed before soft coverage applies.

Q: Is a builders risk policy renewable?

A: In most cases, residential builders risk policies can be extended or renewed for an additional 12-month period.

Builders risk insurance covers residential new construction after completion while it is up for sale, so the option to renew coverage for a second year can be valuable. If a third year of coverage is needed, clients can then purchase an unsold dwelling policy.

Q: Can coverage be secured for a project already under construction?

A: In most cases, clients can purchase builders risk insurance even if construction on their new home has already begun. Construction that is already more than 30 percent complete at the time of application is subject to underwriting approval before the policy can be issued.

Choose a Builders Risk Partner with Deep Expertise and Dedicated Personnel

With 40 years of helping protect homeowners' and contractors' interests in residential new construction projects, US Assure offers a depth of experience and expertise that is difficult for other providers to even match.

For more guidance on insuring course of construction projects, read our ***Builders Risk 101 Guide***, or contact our dedicated team of more than 50 specialists today at **(800) 800 - 3907**.

To learn more about the Builders Risk Plan insured by Zurich, contact our dedicated team of more than 50 specialists at **(800) 800 - 3907**, or visit **usassure.com**.

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Answering Agents' Top Builders Risk Questions: Commercial New Construction

There's no doubt, commercial accounts require more time and resources to learn the business, underwrite and often service after the policy is issued. These complex course of construction projects need a unique set of coverages to protect exposures fully, as well as expertise to underwrite the risk. It's important agents understand how commercial differs from residential construction and key factors to take into consideration when issuing builders risk insurance.

As the nation's number one builders risk program, we receive questions from agents and brokers across the country on the topic of insuring commercial construction projects. In this resource, we answer some of the most common questions so you can confidently advise clients and help ensure their vision is protected throughout the course of construction.

Nuts and Bolts

Q: What types of projects are appropriate for commercial builders risk insurance?

A: Commercial builders risk coverage is not just for small shops or offices. Common businesses and entities eligible to secure builders risk insurance include warehouses, wastewater treatment facilities, municipal buildings, institutional properties, stadiums, bus stations and more. Commercial builders risk insurance can also provide coverage for installation of light poles, benches and playground equipment at city parks, to name a few.

Although apartment buildings and condominium buildings typically operate as residences, these structures are considered commercial properties when more than four units are involved. In addition, when the property under construction will be used for business and residential purposes, insurers may often consider it a commercial project.

Q: What kinds of clients can be covered by a builders risk insurance policy?

A: Agents are often surprised to learn that the client purchasing commercial builders risk insurance can be the builder, owner, municipality, retailer or anyone else with an insurable interest.

The policy can also be written in a name other than the contractor or the owner. For example, a school might want the builders risk policy to reflect the name of the school district or the specific school itself.

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Answering Agents' Top Builders Risk Questions:
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Q: What considerations should be made when securing a commercial builders risk insurance policy?

A: Not all builders risk policies are the same. The scope of coverage varies from provider to provider and there are important distinctions between policies even within the same provider.

For example, the US Assure Builders Risk Plan insured by Zurich offers two options for policy issuance, which vary depending on project value, scope of coverage needed and project term. Our automated form allows agents to issue a policy entirely online in minutes when risks do not exceed $10 million. To tailor the terms and coverage even further, agents can submit online then work directly with our underwriters who will manually review the risk and issue the policy when valued up to $75 million. Contrary to a common misconception, clients who encounter delays can potentially extend the policy term.

Other considerations include whether coverage can be issued for projects that are already underway and what type of policy limits are available. The US Assure Builders Risk Plan insured by Zurich provides coverage for course of construction projects valued up to $75 million, offers many optional coverages and may provide coverage for projects that have already started.

Coverage and Policy Options

Q: What payment options are available?

A: Payment options vary from provider to provider, so agents should fully understand available choices. As is the case with most commercial builders risk policies, the US Assure Builders Risk Plan insured by Zurich offers direct billing, where the client is invoiced directly and responsible for submitting the premium payment(s). As an alternative, wholesale billing arrangements may be available, allowing the agent to submit premium payments on behalf of their client. The option to pay in installments is also commonly available.

Q: What policy types are available?

A: Commercial builders risk insurance can be purchased under a single policy form—designed for a single construction project—or under a reporting form policy. Reporting form policies allow the policyholder to cover more than one new construction project with the same insurance policy. Another option is installation builders risk coverage, which provides for installation of materials and equipment.

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Answering Agents' Top Builders Risk Questions:
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Q: Can flood and earthquake coverage be included?

A: Most commercial builders risk insurance policies exclude losses that result from floodwaters or earthquakes, but policyholders may be able to add an endorsement to ensure coverage for these common causes of loss. This added protection is subject to underwriter approval, and may be available for the full policy limits or a sub-limit.

Some commercial builders risk providers have limited capacity to offer coverage for flood and quake. Where coverage is available for a given risk, it is crucial to offer it to the insured. Even if their commercial construction project is not in a designated flood zone, they could nevertheless sustain high losses if a flood or earthquake occurred.

Q: Is occupancy allowed?

A: With commercial construction projects, clients are typically motivated to begin using the constructed facilities as soon as they can do so. When a commercial builders risk policy includes an occupancy clause, clients may be able to use the portion(s) of the structure that are completed while construction on other sections is still underway.

For example, a client building a strip mall may want to allow one tenant to begin operations as soon as their space is ready, even if the rest of the mall has yet to be completed. With the US Assure Builders Risk Plan insured by Zurich, policies issued on our automated form include a 90-day occupancy clause, and manually underwritten policies include a 60-day occupancy clause. Additional days can be extended with underwriter approval, and the occupancy endorsement can be added onto the policy after it is already in effect.

Q: What additional coverages can be added to the policy?

A: As with any type of insurance, it is important to tailor coverage to meet the client's specific needs. A variety of optional endorsements are available for commercial builders risk policies, including business income and extra expense, soft cost coverage, water intrusion and more.

To read a complete list of these robust coverage options for our single project and reporting form policies, download our resource, ***Coverage Summary by Policy Type***.

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Answering Agents' Top Builders Risk Questions:
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Misconceptions

Q: Are protective safeguard warranties, such as 24-hour surveillance, fencing and fire extinguishers required?

A: In most cases, the Builders Risk Plan insured by Zurich does not require protective safeguard warranty. However, some insurance companies do include protection warranties in their policy forms, requiring policyholders to take actions that can lower or mitigate the risk of loss. If a claim occurs under one of these policies and the policyholder did not follow what the policy specified, the claim may be denied.

Q: Can site work be excluded for commercial structures?

A: Cost-conscious commercial builders risk clients may be interested in excluding site work from coverage. Site work refers to work such as landscaping, underground piping, installing sprinkler systems and similar activities for which clients don't feel they need the full protection builders risk insurance offers.

Under the US Assure Builders Risk Plan insured by Zurich, site work may be excluded, depending on the coverage form selected.

With that said, agents should always discuss the potential ramifications and risks of excluding coverage with their clients. If site work is excluded and a loss occurs, the client won't be able to collect claims dollars for the cost of the excluded site work.

Q: I don't have all the specifics on the project, can I still get a quote for my client?

A: Complete details on the full project scope are not required to obtain a premium indication.

When you submit basic information about the project, including its location, limit and construction type, one of our dedicated commercial builders risk underwriters can provide a non-binding estimate you can review with your client. Specific coverage quotes and decisions to issue policies depend on the receipt of fully completed applications.

To learn more about the materials you should gather prior to quoting and issuing a policy, review ***Getting Started Online: Checklist for the Builders Risk Plan Insured by Zurich***.

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Answering Agents' Top Builders Risk Questions:
Commercial New Construction

Conclusion

Commercial builders risk accounts can be time consuming from beginning to end. But with the answers to these common and crucial commercial new construction questions at the ready, you'll be well equipped to handle clients' challenges.

To learn more about the Builders Risk Plan insured by Zurich, contact our dedicated team of more than 50 specialists at **(800) 800 - 3907,** or visit **usassure.com.**

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Answering Agents' Top Builders Risk Questions: Remodeling Projects

Do you struggle with understanding the coverage options available for renovations? Do the distinctions between new construction and remodeling coverage confuse you? You're not alone. Whether your clients are renovating a residential or commercial structure, the sometimes-unique circumstances can muddy the water for any insurance professional.

As the nation's number one builders risk program, we receive questions from agents and brokers across the country on the topic of remodeling builders risk insurance. In this resource, we answer some of the most common questions so you can confidently advise clients and help ensure their vision is properly protected throughout the course of construction.

Nuts and Bolts

Q: What type of renovations can be insured?

A: The types of renovations covered by builders risk insurance can vary from provider to provider. When researching options for your clients, be sure to understand and confirm what the provider and proposed policy cover.

Clients can use the US Assure Builders Risk Plan insured by Zurich to cover basic home remodeling like replacing cabinets, as well as complex structural change renovations such as moving load-bearing walls or adding a story onto a residential home or commercial building. Consult with an underwriter for specific project details.

Q: Who is the ideal client for this coverage?

A: The ideal client for any type of builders risk coverage, including those remodeling or renovating an existing structure, can be individuals or businesses with an insurable interest in the project.

Homeowners frequently purchase coverage for remodeling. However, the client could also be a real estate investment company or a contractor conducting the project work.

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Answering Agents' Top Builders Risk Questions:
Remodeling Projects

Q: Can you provide coverage on the existing structure being remodeled? If so, how will it be valued?

A: In many cases, builders risk insurance can protect both the existing structure and the remodeling work. This can provide valuable coverage in situations where the existing structure would not otherwise be insured. US Assure values the existing structure at actual cash value; renovations are valued at replacement cost.

If the structure is being insured, occupancy can be allowed when the policy is for the homeowner with a residential, single-dwelling only.

Q: What is the difference between renovation and restoration?

A: The US Assure Builders Risk Plan insured by Zurich offers insurance coverage for renovations.

A renovation, in builders risk insurance terms, means that an existing structure is being remodeled and changed, replacing old pieces with new. This includes additions, alterations, improvements or repairs — modifications that are often performed to keep up with the latest design trends.

In contrast, a restoration refers to returning an existing structure to its original condition. If you have a client whose project may fall under the category of "restoration" rather than a "renovation," discuss coverage options with an underwriter.

Coverage and Policy Options

Q: What policy types are available?

A: Builders risk insurance for residential or commercial renovations must be purchased under a single project / structure policy form.

Unlike residential and commercial new construction projects, the reporting form option is not available for renovations, due to the high risk of loss remodeling projects bear. So, a client with multiple renovation projects will have a separate policy for each project.

Q: Does the client have to take out a 12-month policy?

A: Remodeling policy options for the US Assure Builders Risk Plan insured by Zurich include six, nine or 12-month terms. This allows clients to purchase coverage for a shorter time period when it is anticipated that their renovations will not take an entire year to complete.

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Answering Agents' Top Builders Risk Questions:
Remodeling Projects

Q: How does the client get an extension if the project is not complete?

A: In most cases, the policy can be extended prior to the expiration of the policy with underwriter approval. When requesting a policy extension for remodeling projects, the policy term can be for less than six months.

Misconceptions

Q: If the existing structure is covered elsewhere, is builders risk coverage available to cover just the renovation?

A: Builders risk policies can insure just the renovations, excluding existing structures.

This is an important point because, although a client may have a homeowners insurance policy or other property policy already in place, renovations may be limited or specifically excluded under those policies.

When clients purchase builders risk insurance for renovations, they can purchase coverage to complement what they already have protected under permanent property policies.

Q: Can the owner perform the construction work?

A: The US Assure Builders Risk Plan insured by Zurich requires that a general contractor or a remodeling contractor with at least two years of project-related experience oversee the construction.

If the property owner has the appropriate project experience, he or she is considered qualified to perform the work. However, clients should know that the project may be subject to other underwriting guidelines when the property owner is performing the work.

Q: Can coverage for ordinance or law be purchased on any builders risk policy?

A: Unfortunately, ordinance or law coverage is not available for remodeling or renovation projects under the US Assure Builders Risk Plan insured by Zurich.

Because building code standards for existing structures change over time, changes in ordinance or law could require the insured to address code standards that are beyond the scope of the remodeling project insured under the builders risk policy.

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Answering Agents' Top Builders Risk Questions:
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Conclusion

Chances are that many existing clients for whom you have secured homeowners or other lines of insurance in the past are considering remodeling or renovating their existing structures. The information we shared here will help you qualify accounts and better understand the underwriting requirements involved when insuring remodeling projects.

To learn more about the Builders Risk Plan insured by Zurich, contact our dedicated team of more than 50 specialists at **(800) 800 - 3907,** or visit **usassure.com.**

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Answering Agents' Top Builders Risk Questions: Installation Projects

If you have clients who are trade contractors, an installation floater or builders risk insurance policy can provide protection for materials and equipment being installed.

This type of insurance coverage is designed to cover one specific part of a construction or remodeling project — such as roofing, concrete, plumbing, HVAC systems, solar panels or cabinets, among others — and is available to both residential and commercial subcontractors and service providers.

As the nation's number one builders risk program, we receive questions from agents and brokers across the country on the topic of installation insurance. In this resource, we answer some of their most common questions so you can confidently advise clients and help ensure their vision is properly protected throughout the course of construction.

Nuts and Bolts

Q: What is the difference between installation coverage and builders risk coverage?

A: At its core, installation coverage is nearly identical to builders risk coverage. The key difference lies in the scope of what is insured.

Builders risk insurance is intended to cover everything going into a new structure from the ground up, insuring equipment and materials being constructed, installed or erected at the project site.

In contrast, installation coverage is designed to protect one single aspect of the project, such as the installation of bathroom fixtures, windows, air conditioning, etc. Installation policies also protect materials and fixtures to be installed while they are in transit.

Q: What type of client would benefit from installation coverage?

A: The ideal client for installation coverage is an artisan contractor, carpenter, plumber, electrician, HVAC technician or another type of specialized contractor. General contractors can also purchase installation coverage.

In certain circumstances, a property owner may also purchase installation coverage to make sure the materials are covered during installation.

Installation coverage can be used to protect a variety of projects, too. In addition to things like cabinetry, fixtures, heating and air conditioning, and roofing, this type of insurance can also be used for the installation of cell towers, radio towers, fences and more.

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Answering Agents' Top Builders Risk Questions:
Installation Projects

Q: Can more than one installation job be insured under the same policy?

A: If the insured is performing the same type of installation work and has multiple projects, coverage may be available under one blanket policy. This type of blanket policy is designed to cover all of the service providers' jobs, subject to the terms and parameters of the policy.

For instance, if an A/C contractor is installing air conditioning units at multiple schools in the same geographic area, the insured would benefit from a blanket installation floater designed to cover all of those jobs. With this approach, there is no need for the insured to take out separate policies for each installation.

Coverage and Policy Options

Q: When does coverage end on an installation floater?

A: It's natural to assume that coverage will end as soon as the covered materials have been installed. However, not all policies end coverage at that point.

In some cases, coverage extends until the subcontractor has been paid. In other cases, policy coverage may be available through the point when the installed materials become part of a larger structure.

Because policies differ from carrier to carrier, it is important for insureds to read and understand coverage terms.

Q: Should I recommend soft cost coverage to my installation client?

A: Soft cost coverage, designed to provide insurance protection for out-of-pocket expenses that the insured incurs as the result of a covered loss, is available as an optional policy endorsement for installation builders risk insurance. Generally, soft costs include things like added expenses for insurance, taxes, legal fees, permit and inspection fees, construction loan interest, etc.

If the subcontractor or service provider is required to pay for eligible soft cost items, adding this policy endorsement may be worthwhile. If, on the other hand, the subcontractor is not responsible for paying any soft cost expenses, then this added coverage probably is not necessary.

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Answering Agents' Top Builders Risk Questions:
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Q: If my client damages other property during the installation process, does the policy extend coverage to replace the property my client damaged?

A: Generally speaking, installation policies normally do not include liability coverage. If the subcontractor damages other property during the installation, he or she should review their liability insurance and any other policies to determine whether coverage is available.

Misconceptions

Q: Aren't subcontractor materials already covered under the general contractor's builders risk policy?

A: While the general contractor's builders risk policy can extend coverage to subcontractors at the job site, not all coverage is provided to the subcontractor while materials are away from the project site. General builders risk insurance coverage may specifically exclude the subcontractor when overseeing materials or equipment in transit or at an offsite location.

Because of that type of exclusion, subcontractors and service providers should consider having separate installation coverage to protect themselves rather than depending on coverage under another insured's policy.

Q: Isn't installation coverage the same across all carriers?

A: Unfortunately, there is not consistency across carriers when it comes to installation coverage. Some carriers offer broad form coverage, while others only offer installation coverage for named perils.

Always review the policy form to confirm what perils are covered, to determine whether the policy provides for extensions or broadening of coverages, and to understand limitations and exclusions.

Q: Doesn't a remodeling policy handle everything installation does?

A: The type of builders risk policy you'll secure depends on what your client needs coverage to protect. Remember that installation policies just provide insurance for one specific project or type of material; remodeling coverage may be broader.

If the contractor is responsible for remodeling beyond installation of one specific material or piece of equipment such as in a kitchen or bathroom, they should have coverage for the entire project, as opposed to just coverage for installing new plumbing fixtures. Builders risk policies for remodeling projects offer expanded coverage to the entire project plans and possibly coverage for the existing structure.

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Answering Agents' Top Builders Risk Questions:
Installation Projects

Conclusion

The information we shared here will help you qualify accounts and better understand the underwriting requirements involved when insuring installation projects.

To learn more about the Builders Risk Plan insured by Zurich, contact our dedicated team of more than 50 specialists at **(800) 800 - 3907,** or visit **usassure.com.**

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About US Assure

US Assure is a premier program administrator and insurance services provider. With more than 40 years of experience in the construction industry, US Assure exclusively manages, distributes and services the Builders Risk Plan insured by Zurich, and other property products, throughout the United States and Canada. Agents interested in partnering with US Assure to access the Builders Risk Plan insured by Zurich can register online in four easy steps for instant access with no minimum commitment. Registered US Assure agents are equipped to provide a comprehensive range of builders risk products for projects of any size and value. For more information, visit usassure.com.

Start doing business online today when you register in four easy steps at **usassure.com.**

Register Now

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8230 Nations Way, Jacksonville, FL 32256

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. 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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