

## Builder's Risk Insurance

"Builder's Risk is designed to protect construction sites from loss and damage."

### What is Builder's Risk Insurance?

Builder's Risk insurance is defined as insurance that protects a person's or organization's insurable interest in materials, fixtures, and/or equipment during the construction or renovation of a building or structure, should those items sustain physical loss or damage. It is important to review the quote and policy carefully.

### Who Buys Builder's Risk Insurance?

There are several groups of eligible clients for a commercial or residential builder's risk policy – all of which can purchase the policy in their name, including the following:

- Homeowners / Property Owners
- Builders
- Contractors
- House Flippers
- Development / Investment Companies
- Retail Companies
- School Districts

### What Projects Under Construction are Eligible?

Builder's Risk policies (and the projects they cover) are typically available for ground-up new construction, remodeling (including or excluding the existing structure) and installation. This may be a home, a commercial building, a factory, a wind turbine, or anything else that is being built.

### What Exposure Does Builder's Risk Cover?

Builder's Risk is designed to protect construction sites from loss and damage. While exact coverages and limitations vary between providers, comprehensive builder's risk policies are often written on an "all risk other than excluded" basis. They usually offer coverage for fire, theft and vandalism, collapse, water damage, and other similar risks. These policies may also offer additional coverages including (but not limited to) soft costs, flood, windstorm, earthquake, ordinance and law, and business income and extra expense. Policies may also cover damage to construction material, temporary structures, fencing, scaffolding, signs, and landscaping.

Coverage will apply to all materials that will become part of the final project as long as those materials are within a set number of feet of the project (usually 1000' or 2000' – check your policy).

Coverage is NOT provided for the contractor's tools and equipment, although there may be exceptions to this on very large policies. **Builder's Risk does not cover Liability.**



## Who is Insured Under a Builder's Risk Policy?

The First Named Insured may be the property owner or the General Contractor.

## When Does My Insured Need to Purchase Builder's Risk?

Builder's Risk insurance should be purchased as soon as a project is started.

## What are Some of the Common Sub-Limited Coverages?

- **Transit** – this covers materials being transported that will become part of the project.
- **Temporary locations** – this covers materials which are temporarily stored away from the job site, but will become part of the project. This might be a yard, warehouse or the contractors yard.
- **Delay in completion** – this usually includes business interruption (such as loss of rents when the project is delayed for the owner) and soft costs. Sometimes these are shown separately.
- **CAT coverages** – Earthquake, Flood, Wind/Hail, Named Storm, etc.

## What are Soft Costs?

Soft costs coverage will reimburse the insured for other expenses when they suffer a loss due to a covered cause of loss. These out-of-pocket expenses are not associated with labor or building materials but can add up quickly. What is included in soft costs are defined in the policy and vary by carrier. Generally, they will include:

- Advertising and promotional expenses
- Interest on construction loans
- Architects, engineers and consultants fees
- Real estate and property tax assessments
- Commissions or fees for lease renegotiation
- Insurance premiums
- Legal and accounting fees
- License and permit fees

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