

WHAT TO KNOW ABOUT BUILDER'S RISK COVERAGE

PERKS OF A BUILDERS RISK POLICY



Buildings under construction are subject to a myriad of risks that may not be covered in a Homeowners Policy. From fires while home is vacant, to theft of building materials, and vandalism, building owners and builders are left to pick up the pieces. A builders risk insurance policy protects against these perils and more. There are options for term extensions and renewals due to delays for projects. Coverage limits for things like scaffolding coverage, debris removal, property in transit, changing of orders, and more.

FOUR REASONS TO GET COVERED

REASON #1



Concern: A homeowner has insurance and thinks the permanent property policy will be sufficient to cover the extensive home remodel plan.

Response: The client would be taking a huge risk here, because their homeowners policy could terminate if the house is under construction. The coverage scope and limits offered by the homeowners insurance for remodeling is much less than a builders risk policy. And the homeowner may have to move out during renovation which could become an issue if their policy has a vacancy clause.

REASON #2



Concern: A homeowner is self-financing their new home and to alleviate some of the financial burden, they plan to wait until construction has started before securing a builders risk policy.

Response: Self-financed projects often run out of money before the project is complete. In which case, the client will have to apply for a bank loan and that requires a builders risk policy. Self-financing is expensive if a loss occurs without coverage, such as vandalization to poured concrete. Securing insurance for a project is typically easier to obtain before construction starts or when it's in the early stages.

REASON #3



Concern: A homeowner is remodeling their kitchen and asks why it's not the contractor's responsibility to secure the coverage.

Response: While a contractor may sometimes secure coverage, they don't always. Policies can be secured in the name of the owner or contractor. However, it's good practice for homeowners to protect themselves from risk and added costs. Nowadays, many contractors require the homeowner to secure builders risk insurance.

REASON #4

Concern: A homeowner recognizes the need for it, but simply thinks the price is too high.

Response: Can the homeowner bear the financial impact of a loss due to fire, theft, or other perils without coverage? Without insurance, replacing materials after a loss could result in much higher out-of-pocket expenses. Ultimately, the price of a builders risk policy is low compared to the cost of even a minor loss without coverage. And as construction progresses, the potential cost of a loss becomes even higher as more materials are installed. Why delay and put even more of an investment at risk?

