

# Insuring the Build: What Every Agent Should Know About Builder's Risk

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To buy, build or renovate a home, that is the question! In today's housing market, some would say it's a seller's paradise. This is why many people are choosing to either build a new home or renovate a home. Either way, your clients will want to know the specifics on how to insure their investment properly with a builder's risk policy.

A builder's risk policy is designed to insure the property and construction materials that are used to complete the projects. These policies can also be referred to as course of construction policies.

## GROUND-UP COURSE OF CONSTRUCTION VS. BUILDER'S RENOVATION

Ground-up course of construction is a new home on a vacant piece of land. Builder's renovation is repairing, updating or improving an existing structure. These changes can consist of a total renovation ("gut rehab") or cosmetic updates. A total renovation can involve stripping a house down to its framework and rebuilding it from the inside out. Others may only do some cosmetic work, such as installing a new bathroom or kitchen.

## TIMING IS EVERYTHING

When starting a project, it is important to know when to start coverage. The timing of this can make the difference in qualifying with a carrier or not. Most carriers require a builder's risk policy to be in place before construction has even started. However, as we know, insurance is not always first on our clients' minds. As a result, they'll end up delaying the purchase of their policies until after the foundation is already poured or midway through the kitchen demolition. Either way, there are policies they can purchase. Finding the right carrier and coverage is important. Arlington/Roe has solutions for projects after the clients have already started their project.

## WHAT HAPPENS WHEN THERE IS A DELAY?

As we all know, construction projects rarely finish on time. Some delays are due to building materials being on back order or other various reasons. The clients can find themselves in situations where their current builder's risk carrier will not extend the policy term. Luckily, we have carriers that will consider tail-end construction projects. We have options designed to bring flexibility and peace of mind during an already stressful time.

## MAKING SURE YOU HAVE THE RIGHT ENDORSEMENTS

There are some coverages to consider including on a builder's risk policy. These can include theft of building material and soft costs coverages. These endorsements can give your client the coverage that would be unique to a builder's risk exposure. Theft of building materials will give coverage for construction materials that have not been installed. While your soft costs would include coverage for labor and non-material costs such as architectural fees, building inspection and permit fees, or interest expense on a loan due to a covered loss.

## KNOW WHO IS DOING THE WORK

When finding a policy for the client, know who doing the construction work! This will make a difference when you are searching for a carrier. If the client has a general contractor handling the project—with no waiver of subrogation in their contract—more carriers are willing to consider. On the other hand, if the client is hiring the subcontractors or doing the work themselves, fewer carriers will consider, and they will want to know what kind of experience the client has with this kind of work.

The main goal is to protect the client to the best of our ability. By knowing when to offer the right coverage and having good carrier relationships to help when the risk gets a little tricky, you'll be able to do just that. Arlington/Roe has multiple solutions to cover these various scenarios. Reach out to a member of our personal lines team for assistance.

### **RECENT BUILDER'S RISK ACCOUNTS WE'VE BOUND**

**Completed value: \$260k**

- \$2,500 AOP deductible
- \$500k liability
- Unprotected
- Premium: \$2,483 for a 12-month term
- Insured acting as own general contractor

**Completed value: \$942k**

- \$5,000 AOP deductible
- \$500k liability
- Unprotected
- Premium: \$4,800 for a 6-month term
- Insured acting as own general contractor

**Completed value: \$529k**

- \$2,500 AOP deductible
- \$1M liability
- Unprotected
- Premium: \$5,255 for a 12-month term
- Insured acting as own general contractor

**Completed value: \$1.5M**

- \$10k AOP deductible
- \$1M liability
- Unprotected
- Premium: \$16,774 for a 12-month term
- Insured not acting as general contractor