

What You Need to Know About Builders' Risk Insurance

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**NATIONAL BUILDERS
INSURANCE GROUP**

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Introduction

As a contractor, lender, business owner, or someone who works in a construction-related industry, you need to have the best insurance policies at the most optimal price. Insurance agents might throw around industry policy terms meant for people in your field, but how do you know exactly what you are getting into? If you have a Builders' Risk Insurance Policy or are considering getting one, this eBook will cover everything you need to know about this coverage before you sign any papers.

Builders' Risk is a unique policy that differs from General Liability and Contractors' All Risks. Let's go over the details such as who needs Builders' Risk, what it covers, how much it costs, and how to get the most comprehensive policy.

What is Builders' Risk Insurance?

Builder's Risk is a line of insurance that helps to protect buildings under construction from property damage and other perils. These risks typically come in the form of explosions, theft, vandalism, fire, hail, and hurricanes.

Policyholders should have an insurable risk and interest in the property, meaning the structure has to be under construction and the policyholder must own it or be connected financially to the project. Coverage will typically end when the construction project or building is complete. While this policy can be complex, it can also be quite customizable, making it a good fit for any budget and need.

Who Needs Builders' Risk Insurance?

Builders' Risk Insurance is tailored to those who are involved in the project from a financial standpoint so the project owner, contractors, subcontractors, lender, and architects could all be included in the policy.

Who pays for the builders' risk insurance is usually left up to the project owner and the general contractor as they have the most at risk in a job.



What Does Builders' Risk Cover?

Risks covered in this type of insurance include explosions, theft, vandalism, fire, hail, hurricanes, and other similar events. In addition to those listed, Builder's Risk can protect against indirect expenses, especially if damage creates a delay in the project. This can be lost sales, lost wages, rental income, added loans or interest, and real estate taxes. Lastly, while the policy aims to protect the project or building in question, it also helps cover materials and on-site equipment.

Basically, Builders' Risk Insurance prevents you from having to start from square one in the case of a damaging event. If a storm ruins construction materials, the policy holder can receive compensation for damaged materials and lost time.



Builder's Risk vs C.A.R.

Builder's Risk and CAR (Contractors' All Risk Insurance) are somewhat similar so let's establish what sets them apart. Builder's Risk covers property exposure like raw materials or a building as it's being erected. A big selling point for Builders' Risk is coverage for lost wages in the event that something went awry mid-build and workers were hired but are not working or for soft costs, like needing to hire an engineer.

Contractor's All Risk (CAR) covers property AND General Liability exposures. CAR acts as an added layer to a standard liability policy that is specialized for contractor's exposures. It's important to note that all carriers may have different policy forms so coverage will vary across the entire coverage line.

What Is NOT Included in Builders' Risk Insurance?

Read your policy to review all of the limitations or items that will not be covered. Common exclusions include:

- Earthquake
- Employee theft or injury
- Water damage
- War
- Government action
- Contract penalty
- Voluntary parting
- Mechanical breakdown
- Planning
- Workmanship and materials
- Faulty design

Damage due to natural disasters will usually call for an added severe weather endorsement in the policy. There are separate insurance endorsements for several damage exclusions. For tools or equipment, consider contractor's tools and equipment coverage to replace and repair stolen or damaged tools.

Professional liability is not covered under Builder's Risk, so it's encouraged that you seek a separate policy for issues that result from faulty design and materials. Employee injuries on-site should be addressed under a workers' compensation policy to help cover resulting medical costs or lost wages. Some coverage may be added at an additional fee if your project is vulnerable to exposures not included on the policy, so check with your agent for available options.

How Much Does Builders' Risk Insurance Cost?

Policy costs will vary depending on your project and needs but usually falls within 1-4% of the project cost. The cost is generally based on materials, project type, and details of the policy (deductibles and limits). Other factors that can play a role in the cost include the project timeline, location, square footage, contractor experience, and logistics. It is typically recommended to choose coverage limits that are equal to the anticipated construction cost. High-cost projects means high-cost insurance.



Finding the Right Policy

1.
Consider Possible & Likely
Damage



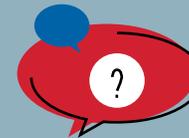
2.
Understand Coverage
Effective & Expiration Dates



3.
Review Your Policy in Detail
& Know Your Exclusions



4.
Turn to the Experts



1. Consider Possible & Likely Damage

Go over the details of your project throughout the entire construction process and consider what vulnerabilities it may be exposed to. This will help you form a better idea of what risks you want to avert and what is most significant to protect.

2. Understand Coverage Effective & Expiration Dates

Coverage usually begins when contractors are signed on and ends with project completion. Certain conditions for a policy expiration may also be when a project is canceled or when the building is occupied and put to use.

3. Review Your Policy in Detail & Know Your Exclusions

Read your policy to make sure you understand what is not included in it. Consider extensions or additions to bridge coverage gaps and note any additional coverage you might need.

4. Turn to the Experts

Work with an experienced agent who can help you choose the coverage you need for your unique project. At NBIG, we know the management processes, requirements, and unique hazards that are involved in construction-related industries. Our agents will provide you with the most accurate, up-to-date, and pertinent information to help your business succeed.

Next Steps

Not sure where to start? Contact an agent at NBIG today to get started on building a Builders' Risk policy for your needs. We can review your current policies and ensure that you have the most comprehensive protection possible.

Contact Us Now

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