

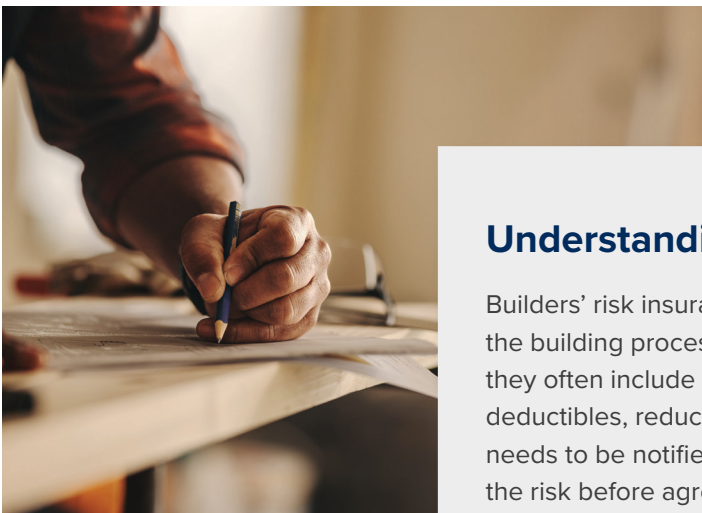
PERSONAL INSURANCE

## Guide to Builders' Risk Insurance for Construction and Renovation Projects



Many homeowners consider renovating their homes or starting a ground-up construction project. Ground-up construction involves building from undeveloped land, whereas renovation updates an existing structure. These processes are multi-faceted and require much planning before breaking ground.

Builders' risk insurance, also known as course of construction insurance, is essential for helping to protect these projects. This article outlines the key aspects of builders' risk insurance, the importance of understanding personal insurance policies and the critical considerations for selecting builders and architects.



### Understanding Builders Risk Insurance

Builders' risk insurance covers the property and construction materials during the building process. Reviewing personal insurance policies is crucial, as they often include specific provisions about renovations, such as higher deductibles, reduced coverage or even exclusion of coverage if the insurer needs to be notified in advance. These provisions enable insurers to evaluate the risk before agreeing to continue coverage. The nuances of the varying policy forms can be significant and should be carefully reviewed to help prevent gaps in coverage that could result in an uncovered loss.

## Considerations for Selecting Builders and Architects

- **Experience:** Insurers prefer general contractors (GCs) with a minimum of two years in business but prefer five years or more.
- **References:** Request references from the builder to understand their experience before, during and after construction.
- **Project summary:** Ask the GC and architect to provide summaries of their last five projects to determine if they align with the scope of your project, including size and value and whether it was residential or commercial.
- **Claims history:** Investigate any past insurance claims against the contractor or architect, as this can impact the ability to secure builders' risk coverage.
- **Insurance Coverage:** Ensure the contractor and architect have adequate coverage limits, reviewed by your insurance advisor and insurer.
- **Construction agreement:** Have an attorney review the construction contract to ensure fairness and identify any clauses that could pose challenges for insurance coverage, potentially increasing premiums or leading to coverage declination.
- **Policy purchase:** Builders' risk coverage can sometimes be purchased by the builder or the property owner. Discuss the pros and cons of each option with your insurance advisor.

## Timing for Purchasing Builders Risk Coverage

- **Ground-up Construction:** Contact your insurance advisor before starting any site work. Insurers have different triggers for when construction insurance should begin, and coverage may be declined if site work has already started.
- **Renovation Projects:** Notify your insurance advisor before starting work on your existing home. They will determine if a new policy or an endorsement to your existing policy is needed. Major renovations typically exceed 10% of the insured dwelling value, while minor renovations are under 10%. Extenuating circumstances, such as moving out during the renovation or altering the home's footprint, may also affect coverage requirements.

Insurers typically require coverage for the total completed project value, as outlined in the construction agreement, when determining the amount of coverage to purchase. Due to most policies' 100% coinsurance clause, any changes that increase the structure's value during construction should be reported.

Additionally, optional coverage enhancements may be available from specific insurers, including the following:

- **Debris removal:** consider increasing this coverage
- **Property in transit:** clarify who is covering the materials before they are installed
- **Soft costs:** include coverages for non-material or labor costs, including architect fees, engineering fees, loans or project delays that would result in additional out-of-pocket costs
- **Change order endorsement:** could provide a 10-30% increase in completed value to account for change orders
- **Inflation guard:** protects against rising costs not accounted for in the policy

Other considerations to take into account when beginning a project are geography, the time duration of the project, safety, policy types and other advisor recommendations. Proper planning and understanding insurance requirements are crucial for a successful construction or renovation project.

Comprehensive coverage helps protect against unforeseen losses and turn construction dreams into reality. Contact the Brown & Brown Personal Insurance team to help build a broad and flexible solution that meets your project's unique needs.



## How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving program.



Find Your Solution at [BBrown.com](https://www.BBrown.com)

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