Builders Risk / Course of Construction Insurance

March 22, 2023
California 2022 & Marshall Wildfires
About United Policyholders (UP)

• Reputable, established 501(c)3 not-for-profit charitable organization, Platinum Guide Star rating

• A trusted information resource and respected voice for insurance consumers in all 50 states

• 30+ year track-record and expertise in disaster recovery

• Not for profit…not for sale

• Funded by donations and grants
Team UP

• Professional staff
• Government and nonprofit partners
• Volunteers
  – Fired UP Survivors - previous catastrophic loss survivors paying it forward
  – Consumer-oriented professionals
    • Damage and repair/rebuild cost estimators
    • Lawyers
    • Public Adjusters
    • Tax and Financial Planning experts
    • Construction and Real Estate professionals
Our Three Programs

Roadmap to Recovery®
  – Guidance on insurance, restoring assets and getting back home after a catastrophic loss

Roadmap to Preparedness
  – Helping households and communities reduce risk and be resilient to disasters and adversity

Advocacy and Action
  – Fighting for insurance consumer rights and protections
Disaster Insurance Help Libraries
uphelp.org/recovery/disaster-recovery-help

- State Specific Resources with Step-by-Step Guidance
- One Click Links to Sign UP for Events And Email Notifications
- Links to Pro-consumer Professional Help
  www.uphelp.org/findhelp
- Sample Letters & Claim Forms
  www.uphelp.org/samples
- Survivors Speak Tips
  www.uphelp.org/survivorsspeak
- Upcoming Workshops and Resources
  www.uphelp.org/events
Marshall Fire survivors

Please take a moment to complete our Marshall Fire One-Year Survey

www.uphelp.org/survey

When you complete our surveys, you help UP be an even more effective advocate for disaster survivors and a strong voice for fair insurance practices. Thank you!
The Fine Print

• This workshop is intended to be general guidance only, not legal advice

• We don’t endorse or warrant any of the sponsors listed at www.uphelp.org or speakers at our workshops

• Our speakers are volunteering their time as educators
Today’s Presenters

Valerie Brown  
Deputy Executive Director, United Policyholders

Helmut Mundt  
Builders Risk Insurance HBA Program

Annie Barbour  
Roadmap to Recovery® Coordinator & 2017 Tubbs Fire survivor
Goal of today’s presentation: To help you understand what is builder’s risk/course of construction insurance and why it matters:

- Why do I still need to insure my property since there isn’t a building on it?
- What does umbrella coverage protect?
- What is builders risk insurance?
- What does it cover?
- How it works?
- Who secures it and why?
- Who normally pays for the policy?
When do I need this type of additional insurance protection?

Your home is damaged and needs repairs.

Your home is destroyed and needs to be rebuilt.

(Non-disaster, you are remodeling your home)
Why do I still need to insure my property?

My home was damaged, but I still have homeowners insurance. Why do I need Builders Risk insurance?

My home was destroyed. Why do I still need to insure my property since there isn’t a building on it?
How do I protect myself from liability and theft during construction?

Options include:

• Builders Risk insurance (sometimes called Course of Construction insurance)

• Umbrella policy
What do I need to know NOW?

Who takes the policy out?

How long should I take my policy out for?
  • What if I cut it too short and I have to extend it?
  • What happens if it is finished before that date?

Pros and cons
Builders Risk

What is builders risk insurance?

What does it cover?

• Acts of nature and theft of any components that are used to build your house.

• Does it also cover liability for the builder and subs?
What is typically covered?

A. COVERAGE

We will pay for direct physical loss or damage to Covered Property from a Covered Cause of Loss described in this Coverage Form.

1. **Covered Property**, as used in the Coverage Form, means:

   Property which has been installed, or is to be installed in any "commercial structure" or any one to four family dwelling, private garage or other structure that will be used to service the "commercial structure" or one to four family dwelling at the location which you have reported to us. This includes:

   a. Your property;

   b. Property of others for which you are legally responsible;

   c. Paving, curbing, fences and outdoor fixtures;

   d. Trees, shrubs, plants, grass, lawns and landscaping materials installed by you or on your behalf;

   e. Completed single family dwelling which is being used as a model home when reported to us as such on monthly reports with an amount shown; and

   f. Foundations of buildings and foundations of structures in the course of construction.
What is typically NOT covered?

2. **Property Not Covered**

   Covered Property does not include:

   a. Existing buildings or structures to which an addition, alteration, improvement, or repair is being made, unless specifically endorsed;

   b. Plans, blueprints, designs or specifications, except as provided in paragraph A.4. **Additional Coverage** of this Coverage Form;

   c. Land and water;

   d. "Existing inventory", unless specifically endorsed;

   e. Contractors’ tools, equipment, machinery and property of a similar nature not designated to be a permanent part of the location which you have reported to us; and

   f. Outdoor trees, shrubs, plants, grass, lawns and landscaping materials that existed prior to the policy's effective date at a location which you have reported to us.
3. **When Coverage Begins And Ends**

We will cover risk of loss or damage from the time when you are legally responsible for the Covered Property on or after the effective date of this policy if all other conditions are met. Coverage will end at the earliest of the following:

a. Once your interest in the Covered Property ceases;

b. Ninety days after initial occupancy of the Covered Property unless:

   (1) That building is being used as a model home;

   (2) That building is being remodeled and is a single family dwelling; or

   (3) That building is being used as a "model home leaseback".

c. When the Covered Property is leased to or rented to others:

   (1) For a single family dwelling, when the building is leased or rented to others;

   (2) For a two, three or four family dwelling, when 50% or more of the units in the structure are leased to or rented to others; or

   (3) For a "commercial structure", when 75% or more of the square footage space is leased to or rented to others.

   This does not apply to pre-leases established prior to construction.

d. When you abandon the reported location with no intention to complete it;
How long covered (continued)?

e. At the end of 12 months from the month when you first reported the location to us unless you report the location again and pay an additional premium. If the location is reported again and the additional premium is paid, coverage will end at the end of 12 months from the month when you re-reported the location to us as described in the Reporting Provisions Additional Condition. You have the option to report the same location a third time at the end of the second 12 month period, provided the required additional premium is paid. Coverage for this third 12 month term will end at the end of 12 months from the month you re-reported the location for a third term; or

For coverage on existing buildings or structures that are being or have been remodeled, at the end of 12 months from the month when you first reported the location to us unless you report the location again and pay an additional premium. If the location is reported again and the additional premium is paid, coverage will end at the end of 12 months from the month when you re-reported the location to us as described in the reporting provision below. There is no option to report a third year.

f. When permanent property insurance applies; or

g. Once the Covered Property is accepted by the owner or buyer and:

(1) The contractor has been paid in full; whether procured by any insured hereunder or by the owner or purchaser; or

(2) The transfer of ownership has taken place.
What does it cost?

<table>
<thead>
<tr>
<th>Proposed Policy Period</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11/28/2022</td>
<td>11/28/2023</td>
</tr>
<tr>
<td></td>
<td>(12:01 a.m. Standard Time at your address as stated herein)</td>
<td></td>
</tr>
</tbody>
</table>

**Coverage and premium information**

This is intended only as a brief outline and does not alter any of the coverages, conditions, exclusions or provisions contained in the policy.

<table>
<thead>
<tr>
<th>Type of coverage</th>
<th>Total Premium (all locations)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Builders Risk</td>
<td>$2,226.00</td>
</tr>
<tr>
<td>Proposed Policy Premium*</td>
<td></td>
</tr>
<tr>
<td>State Taxes &amp; Surcharges</td>
<td>$2,226.00</td>
</tr>
<tr>
<td>Total fully earned policy premium*</td>
<td>$2,226.00</td>
</tr>
</tbody>
</table>

* Premium quotation valid for 30 days from the date on the first page of this proposal.

Policy is fully earned
What does it cover (CO)?

Zurich Programs
Builders Risk and Installation

<table>
<thead>
<tr>
<th>Primary Builders Risk Coverages</th>
<th>Deductible</th>
<th>Total Limits</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage Limit at Any One Building or Structure</td>
<td>$1,000</td>
<td>$880,000</td>
<td></td>
</tr>
<tr>
<td>All Covered Property at all Locations</td>
<td>$1,000</td>
<td>$880,000</td>
<td>$2,024</td>
</tr>
<tr>
<td>Additional Coverages:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Back-up or Overflow of Sewer, Drains or Sumps</td>
<td>None</td>
<td>$25,000</td>
<td>$0</td>
</tr>
<tr>
<td>Claim Preparation Expense</td>
<td>None</td>
<td>$10,000</td>
<td>$0</td>
</tr>
<tr>
<td>Contract Penalties</td>
<td>None</td>
<td>$25,000</td>
<td>$0</td>
</tr>
<tr>
<td>Debris Removal</td>
<td>None</td>
<td>$50,000</td>
<td>$0</td>
</tr>
<tr>
<td>Fire Department Service Charge</td>
<td>None</td>
<td>$25,000</td>
<td>$0</td>
</tr>
<tr>
<td>Ordinance or law</td>
<td>$1,000</td>
<td>$880,000</td>
<td></td>
</tr>
<tr>
<td>Loss to the undamaged portion of the building</td>
<td>$1,000</td>
<td>Included</td>
<td></td>
</tr>
<tr>
<td>Demolition cost</td>
<td>$1,000</td>
<td>$880,000</td>
<td></td>
</tr>
<tr>
<td>Increased cost of construction</td>
<td>$1,000</td>
<td>$880,000</td>
<td></td>
</tr>
<tr>
<td>Combined Aggregate for Demolition Cost and Increased Cost of Construction</td>
<td>$1,000</td>
<td>$880,000</td>
<td>$0</td>
</tr>
<tr>
<td>Pollutant Clean-Up and Removal</td>
<td>None</td>
<td>$25,000</td>
<td>$0</td>
</tr>
<tr>
<td>Rewards</td>
<td>None</td>
<td>$25,000</td>
<td>$0</td>
</tr>
<tr>
<td>Re-erection of Scaffolding</td>
<td>None</td>
<td>$25,000</td>
<td>$0</td>
</tr>
<tr>
<td>Scaffolding, Construction Forms and Temporary Structures</td>
<td>None</td>
<td>$50,000</td>
<td>$0</td>
</tr>
<tr>
<td>Property at a Temporary Storage Location</td>
<td>$1,000</td>
<td>$44,000</td>
<td>$0</td>
</tr>
<tr>
<td>Property in Transit</td>
<td>$1,000</td>
<td>$44,000</td>
<td>$0</td>
</tr>
<tr>
<td>Valuable Papers and Records</td>
<td>None</td>
<td>$50,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coverage Extensions</th>
<th>Deductible</th>
<th>Total Limits</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>If included</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Change Order Coverage</td>
<td>$1,000</td>
<td>$88,000</td>
<td>$202</td>
</tr>
</tbody>
</table>

Copyright 2023. United Policyholders.
All rights reserved.
### BUILDERS RISK COVERAGE SUPPLEMENTAL DECLARATIONS

**Policy Number:**

Policy Type: □ Reporting Form (continuous policy) OR □ One Shot (non-reporting form/single structure policy)

<table>
<thead>
<tr>
<th>ADDITIONAL COVERAGES (COVERAGE FORM)</th>
<th>LIMIT OF INSURANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Collapse</td>
<td>Included</td>
</tr>
<tr>
<td>b. Scaffolding, Construction Forms And Temporary Structures</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>Re-erection Of Scaffolding</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>c. Debris Removal</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>d. Back-Up Or Overflow Of Sewers, Drains Or Sumps</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>e. Fire Department Service Charge</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>f. Valuable Papers And Records</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>g. Pollutant Clean-Up And Removal</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>h. Ordinance Or Law – Direct Damage</td>
<td>Included</td>
</tr>
<tr>
<td>Loss To The Undamaged Portion Of The Building</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>Demolition Cost</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>Increased Cost Of Construction</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>Combined Aggregate For Demolition Cost And Increased Cost Of Construction</td>
<td></td>
</tr>
<tr>
<td>i. Preservation Of Property</td>
<td>Included</td>
</tr>
<tr>
<td>j. Rewards</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>k. Property At A Temporary Storage Location</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>l. Property In Transit</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>m. Claim Preparation Expense</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>n. Contract Penalties</td>
<td>$ 25,000</td>
</tr>
</tbody>
</table>
Will my homeowners insurance write a builders risk policy for me?

It depends, ask your agent.

If that company has had a lot of loss in your area then they may not be willing to write a new policy for you. Shop around.

Total loss vs partial loss
What about adding an Umbrella policy?

An Umbrella policy provides liability coverage but won’t kick in until you have reached the amount that would normally be in your homeowners policy.
With an umbrella policy, am I responsible for my contractor’s loss?

Am I responsible for my contractor’s tools if stolen from the job site?

Who would be responsible for that loss? (Equipment floater for contractor)
Deep Breath
Who should secure the policy?

We know that either the builder or the homeowner can secure the policy but what is the advantage of the builder securing it?

The builder will set the limits and therefore be responsible if he has more than the limit amount on the property.

If you, the homeowner, sets the limits then you are responsible for anything over the limits.
Who normally pays for the policy

It can be purchased outright and either paid by the homeowner or the builder, who would then include it in the contract for the rebuild.
What will void a builders risk policy?

• Builder or homeowner walks away from the build
• Homeowner placing any of their contents inside the home before getting final occupancy. Policy can have an occupancy endorsement that will allow you to place contents in house 30 days before occupancy.

NOTE: You will not have a homeowners policy so your contents will not be insured but it will not void out your Builders Risk Insurance. Example: house burns down, it is covered, but no coverage for contents.
Question 1.

Should the homeowners name be added to the policy if the builder secures the policy and why?
Question 2.

Does Builders Risk cover any liability?
Question 3.

Can I get Builders Risk insurance if I reuse my foundation?
Stay informed – Sign UP

To be added to our mailing list for notices of future events and updated guidance:

- Encourage friends to sign up: [www.uphelp.org/signup](http://www.uphelp.org/signup)
- To request a copy of today’s slides or video, email: [info@uphelp.org](mailto:info@uphelp.org)
Stay connected to other disaster survivors – S2S Forums

• Great source of information about:
  – Insurance and rebuilding
  – Negotiation and financial strategies
  – Referrals and warnings re: professionals
• Important source of emotional support
  – No one else understands your challenges and emotions like another survivor

Find upcoming Survivor 2 Survivor Forums and register at: http://www.uphelp.org/events
Colorado Division of Insurance
Our Mission is Consumer Protection

Assistance available Monday-Friday
8:00 a.m. to 5:00 p.m. MT
Phone: 303-894-7499 | Toll free outside the Denver Metro Area: 800-930-3745
Email: dora_insurance@state.co.us
CALIFORNIA DEPARTMENT OF INSURANCE

Wildfire resources and insurance information

FOR FREE, PERSONAL ASSISTANCE WITH YOUR CLAIMS OR UNDERINSURANCE ISSUES

CALL US AT: 1 800 927 4357

OR GO ONLINE: insurance.ca.gov
www.uphelp.org/events
Register for upcoming events.
View recordings of past events and related resources.
• Register. It’s free.
• Write in your questions.
• Get an answer from an expert in construction, insurance, laws and disaster recovery.

Copyright 2023. United Policyholders.
All rights reserved.
Thank You to Our Funders

- RCRC
- Golden State Finance Authority
- Community Foundation Boulder County
- Ventura County Community Foundation
- Community Foundation Santa Cruz County