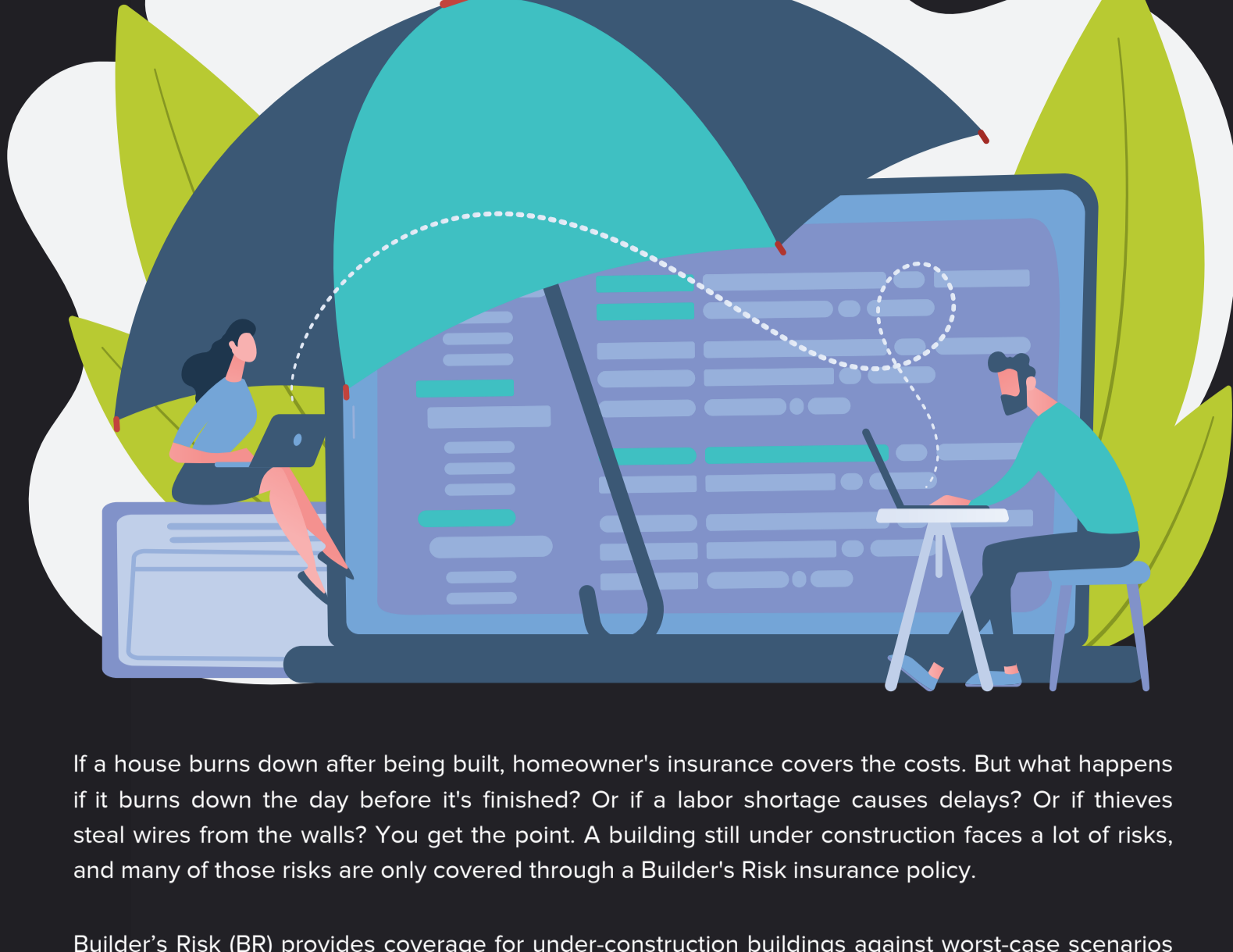


## BUILDER'S RISK INSURANCE

### WHAT YOUR CLIENTS NEED TO KNOW



If a house burns down after being built, homeowner's insurance covers the costs. But what happens if it burns down the day before it's finished? Or if a labor shortage causes delays? Or if thieves steal wires from the walls? You get the point. A building still under construction faces a lot of risks, and many of those risks are only covered through a Builder's Risk insurance policy.

Builder's Risk (BR) provides coverage for under-construction buildings against worst-case scenarios like fires, theft, or vandalism. But it doesn't just cover the building itself. It also helps cover the costs of damaged building materials, costs associated with on-site cleanup after a disaster, and much more.

However, communicating the risks naturally inherent in construction is never easy, especially when you're not an expert in what happens on job sites. With this guide and the Builder's Risk e-book, you'll be able to explain Builder's Risk to people in the construction industry in a way they'll understand. You'll also have a better appreciation of what risks homeowners, contractors, and developers face so you can offer them coverage suited to their unique projects and circumstances.

### WHICH PROJECTS NEED BUILDER'S RISK INSURANCE AND WHY?

Builder's Risk is necessary on any projects where something is under construction, and the cost of that construction going wrong would be a financial hit for the invested parties.

Specifically, Builder's Risk covers three broad groups of construction projects:

- NEW CONSTRUCTION**  
The building of an entirely new commercial property, building, or home from the ground up.
- REMODELER'S RISK PROJECTS**  
Changes to an existing structure that requires skilled labor.
- BETTERMENT PROJECTS**  
Internal improvements by tenants or condo owners.

If you aren't sure if Builder's Risk is suitable for your clients, contact one of our insurance experts. They can walk you through the ins and outs of our policies and help you understand what kind of insurance coverage would be best for your client's situation.

### WHAT DOES BUILDER'S RISK INSURANCE COVER?

Builder's Risk insurance covers your clients against all those external out-of-their control issues that pop up throughout the course of construction or renovation.

These include, but are not limited to:

- Acts of God (fires, lightning, storms, etc.)
- Vandalism
- Theft
- Damage to the building or building supplies during construction

Builder's Risk also extends beyond the building itself to provide coverage to the entire extended worksite. This means a BR policy will cover damages to:

- Other existing structures that are on-site
- Building materials used in the construction
- Off-site property materials that are in transit to the job site
- Job site property like scaffolding or temporary structures

Finally, Builder's Risk policies can be personalized to cover the specific needs of the insured. These additional coverages extend the BR policy to cover less common issues that not every project will need or to create extra peace of mind.

- Soft costs
- Sewer backup
- Temporary storage location

In short, Builder's Risk covers construction sites — the buildings on them, the materials that make them, and the costs incurred when either of those is damaged. As great as BR is, it's intended to complement other insurance policies, so it doesn't cover everything.

### WHAT DOESN'T BUILDER'S RISK INSURANCE COVER?

In other words, if the supervisor is walking off the site with copper wires or a worker loses a finger, those damages won't be covered. It also doesn't cover damages caused by terrorists or a foreign government. So if Canada invades on moose-back and destroys the development, your client will be out of luck.

To be more specific, BR doesn't cover:

- Employee theft
- Bodily damage to employees working on the job
- Intentional damage

- Manufacturing defects
- Terrorism, nuclear attacks, or military actions

Instead, most of these exclusions should fall under a contractor's general liability insurance. So, if Canada doesn't invade and your client and their contractors already have the appropriate insurance policies, the project should be fully insured.

### HOW MUCH DOES BUILDER'S RISK INSURANCE COST?

The cost of BR depends a lot on the project's specific circumstances, but a good rule of thumb is about 1-5% of the total cost of the new build or renovation.

Three main factors determine the bulk of the cost for BR:

- The total insurable value (TIV) of the building
- The specific exposures your client wants to be covered
- Unique challenges and risks inherent with the project

For instance, if your building is a coastal property, that location has inherent risks that a building elsewhere would not. It's not just where the project is located either. The kinds of construction materials used will impact the policy's price, with combustible building material like wood costing more than concrete.

Further, zones prone to natural disasters, such as earthquakes or floods, may require additional policy extensions to qualify for BR coverage, which will add to the cost of the policy.

All of this is to say the cost of Builder's Risk insurance is hard to pin down without the specifics. If you or your client has more questions, we created this in-depth guide to Builder's risk costs to shed more light on what you can expect to pay. Otherwise, contact our team or start an online application to get a quote today.

### DISTINGUISHED'S BUILDER'S RISK INSURANCE FAQs

Every Builder's Risk policy is a little different. Here are the answers to some commonly asked questions we usually get about our BR policies.

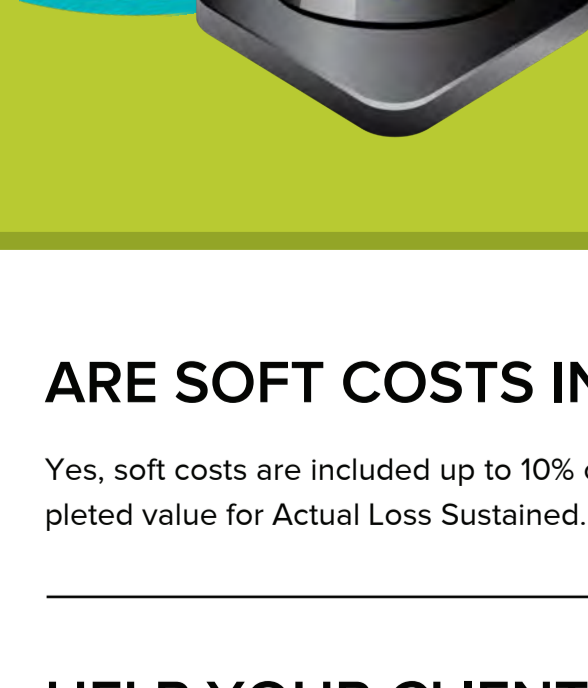
#### Can I submit our business online?

Yes, you can submit your business through our online sub-mission portal. Simply register your brokerage, go to our Broker Portal, spend a couple of minutes adding in the insured's details, and we'll get back to you with a quote. If your client likes what they see, you can bind the policy right there through the same online portal.



### WHAT IS THE MAX TIV FOR YOUR BR?

Our max TIV depends on the kind of project being insured.



- New Construction: TIV up to \$10M (Frame construction up to \$5M TIV)
- Remodeler's Risks: TIV up to \$5M
- Betterments Only: TIV up to \$5M

For Coastal Builder's Risk, the max is:

- New Construction: TIV up to \$20M (Frame brand new construction up to \$6.5M TIV)
- Remodeler's Risks: TIV up to \$20M (Frame remodeler's risks up to \$5M TIV)
- Betterments Only: TIV up to \$20M

For more information on coverage limits, look at our Builder's Risk product page.

### ARE SOFT COSTS INCLUDED?

Yes, soft costs are included up to 10% of the project's completed value for Actual Loss Sustained.

### HELP YOUR CLIENTS LEARN MORE ABOUT BUILDER'S RISK COVERAGE

It's not always easy convincing people they need more insurance when they think other policies already cover them. If you're not knowledgeable about the risks involved in construction, it'll be a struggle to justify and tailor a policy to meet that project's specifications. That's why we've created a Builder's Risk e-book — to help brokers and clients alike learn more about what Builder's Risk is, who needs it, what it covers, and so much more.

