

LIVE WEBINAR | EXPERT INDUSTRY PANEL

Mastering Builder's Risk Insurance

A Broker's Blueprint to Protecting Construction Projects



THANK YOU FOR JOINING US TODAY

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Hello Everyone Thank You For Joining us!

Hello, I'm Paul Zeni, and I work as a Regional Sales Executive at Distinguished. I focus on selling Distinguished's Builder's Risk, Vacant Building, and City Insurance products and developing business relationships with brokers interested in these programs. I've been a part of the Distinguished team since 2019, but I've actually been working in the insurance industry since 1985. Over the years, I've held various positions in sales, program management, and underwriting with well-known companies like Sedgwick/York Risk Services Group, Apollo General, AIG/Lexington, and Allianz/Fireman's Fund. My academic background includes a bachelor's degree from St. Mary's College of California.



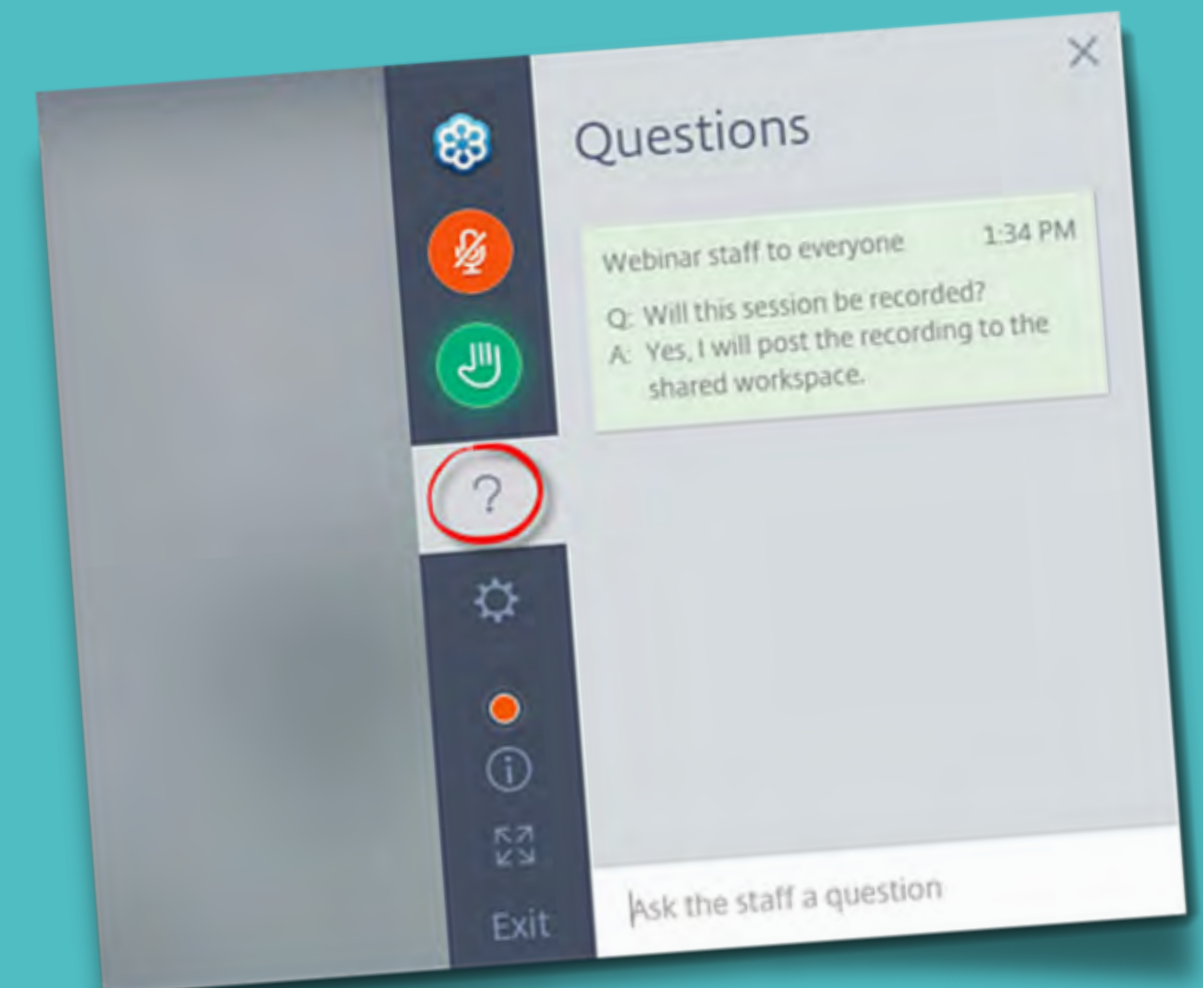
Host - Paul Zeni

Sales Executive
Distinguished Programs

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Please Note:

- We will be sending all registrants a copy of the slides, the webinar recording, and a PDF with the questions and answers from today's session.
- If anyone has a question during the presentation please use the Q + A button on the bottom of your screen.



Distinguished Programs

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Distinguished Programs is a leading national insurance Program Manager providing specialized insurance programs for Real Estate, Community Associations, Hotels, and Builder's risks. Serving the same core markets and partnering with the most stable and reputable carriers, Distinguished Programs' high-limit umbrella and primary insurance programs remain the clear choice in their areas of specialty for superior coverage, competitive pricing, and attentive service.

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Meet the Experts



Susan DeCarlo
Vice President
Builder's Risk
Distinguished Programs



Melanie Pearce
Underwriter
Builder's Risk
Distinguished Programs

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What is Builder's Risk Insurance?

Builder's Risk Insurance, also known as course of construction insurance, is a type of property insurance that protects a property under construction. This includes the building itself and any materials and equipment used in the construction.

What Kind Of Real Estate?

- **New Construction:** Protects your property when building from the ground up.
- **Remodeler's Risks:** For both existing structures and improvements.
- **Betterments Only:** For condo owners or tenants that need coverage for improvements made in their unit.



Who Typically Purchases Builder's Risk Insurance?

Builder's risk insurance may be purchased by:

- **Property owners:** Owners of residential, commercial, or industrial properties that are undergoing construction or renovation may purchase builder's risk insurance to protect their investment during the construction process.
- **General contractors:** Contractors responsible for the construction or renovation of a building or structure may purchase builder's risk insurance to protect themselves and their clients against losses due to accidents, theft, vandalism, or other unexpected events.
- **Developers:** Real estate developers who are financing the construction of a building or structure may purchase builder's risk insurance to protect their investment during the construction process.

Overall, anyone who has a financial interest in the construction or renovation of a building or structure may purchase builder's risk insurance to protect themselves against financial losses during the construction process.

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Key Coverages

A typical Builder's Risk insurance policy protects against fire, lightning, hail, wind, theft, and vandalism, among other perils.

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Coverage applies to the following property:	Additional coverages can be added as policy extensions or endorsements.
<ul style="list-style-type: none">• Existing Structures• New Construction• Foundations and Underground Property• Other Property: scaffolding, temporary buildings or structures, fencing, antennas, and materials either stored outdoors or stored outside of a pre-designated distance from the project• Building Materials• Off-site Property/Materials in Transit	<ul style="list-style-type: none">• Soft Costs• Limited Fungus• Expediting Expenses• Expenses to Re-erect Scaffolding• Ordinance or Law Personal Property• Rewards• Temporary Storage Location• Sewer Backup• Transit• Blueprints and Construction Documents• Trees, Shrubs, and Plants – located at the covered job site and being planted or installed as part of the construction project <p>*Some policies include these coverages with sublimits, while others must be purchased. Availability varies by insurer.</p>

Are There any Exclusions to Coverage in a Builder's Risk Insurance policy?

Exclusions vary depending on the specific policy and the insurance company, but some standard exclusions include:

Faulty design, planning, or workmanship: If the damage is caused by the faulty design, planning, or workmanship of the contractor or architect, it may not be covered under the policy.

Intentional damage: If the damage is intentional, such as vandalism or sabotage, it may not be covered.

Earthquake, flood, and other natural disasters: Some policies may exclude coverage for certain natural disasters, such as earthquakes, floods, or landslides.

War and terrorism: Damage caused by war, acts of terrorism, or civil unrest may not be covered.

Normal wear and tear: If the damage is caused by normal wear and tear or lack of maintenance, it may not be covered.

How Does the Cost of Builder's Risk Insurance Vary?

Here are some of the most common factors that can affect the cost of builder's risk insurance:

- **Project value:** Generally, the higher the value of the project, the more expensive the policy will be.
- **Construction type:** Some materials and construction methods may be riskier or more costly to insure.
- **Location:** Areas prone to natural disasters or higher construction theft or vandalism may have higher insurance rates.
- **Duration of the project:** The longer the project takes, the more exposure there is to potential risks.
- **Deductible:** Generally, the higher the deductible, the lower the cost of the policy.
- **Coverage limits:** The more coverage you need, the more expensive the policy will be.

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How is Coverage Calculated?

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Builder's Risk coverage is typically calculated based on the total cost of the construction project, including the cost of materials and labor. Factors such as the type of construction and location of the property can also affect the premium.

Three main factors determine the bulk of the cost:

1

TIV

The total insurable value (TIV) of the building

2

Exposures

The specific exposures your client wants to be covered

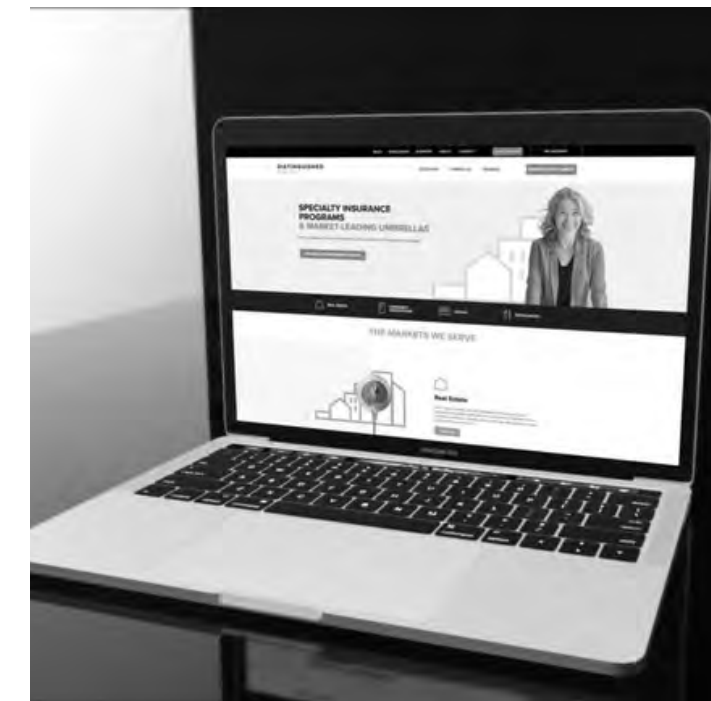
3

Challenges

Unique challenges and risks inherent with the project

How Much Builder's Risk Coverage Does an Insured Need?

The amount of coverage needed will depend on the type and size of the project, the value of the materials and labor, and the project's duration. It's recommended that the insured carries adequate limits to protect their assets fully.



What Recommendations do Underwriters Have for Builder's Risk Coverage?

- Specifically for a remodelers project, one should ensure the existing property is adequately covered, meaning the cost to replace minus depreciation.
- When calculating the betterments value, ensure all aspects of the work are covered.
- We have seen in our business cases where the betterments value was underinsured, and a coinsurance penalty was applied.

Questions

First, let's dive into our questions from attendees that sent in questions via email, then we will go live to today's attendee questions.



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How Can a Broker Successfully Sell Builder's Risk Insurance?

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1

Building a Strong Network

Building relationships with general contractors, property developers, and other key players in the construction industry can help a broker identify potential clients and increase their chances of closing a sale.

2

Understanding the Market

Knowing the construction market and being familiar with the types of projects that are taking place in your area can help a broker identify opportunities to sell Builder's Risk Insurance.

3

Knowledge of the Product

Understanding Builder's Risk Insurance coverage options, exclusions, and limits can help a broker effectively communicate the product's benefits to potential clients.

4

Offering Customized Solutions

Each construction project is different, and a broker that can offer customized solutions tailored to a client's specific needs will be more successful in making a sale.

5

Staying up to Date with Industry Trends

Keeping up to date with changes in the construction industry, such as new building codes, regulations, and the use of new technologies, can help a broker identify new opportunities to sell Builder's Risk Insurance.

Tactics to Try

What are some proven tactics brokers can use to help close a Builder's Risk Insurance deal?

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To help close a Builder's Risk Insurance deal, brokers can employ the following tactics that have been proven to be effective:

- Understanding the unique insurance requirements of the client.
- Matching those needs with an appropriate insurance policy
- Providing competitive pricing and customizable coverage options
- Emphasizing the broker's knowledge and experience in the construction industry can increase the client's trust and confidence in the broker.

Where Can Insurance Brokers Find Opportunities?

Insurance brokers can find builder's risk insurance opportunities in several ways. Here are a few common methods:

- **Referrals:** One of the most effective ways to find Builder's Risk insurance opportunities is through referrals. Brokers can ask their existing clients, colleagues, and industry contacts for referrals to construction projects that may require Builder's Risk coverage.
- **Industry associations:** Brokers can also join industry associations such as the National Association of Home Builders or the Associated General Contractors of America. These associations often have networks of members who are involved in construction projects and may be in need of Builder's Risk insurance.
- **Online directories:** Online directories such as the Construction Monitor or Dodge Data & Analytics can be useful resources for identifying construction projects requiring Builder's Risk coverage. These directories provide information on construction projects, including project value, location, and other details that can help brokers identify potential opportunities.
- **Local media:** Brokers can also monitor local media outlets for news on construction projects in their area. This can include newspapers, business journals, and online news sources. By keeping an eye on local media, brokers can identify projects that may require Builder's Risk coverage.
- **Online advertising:** Brokers can use online advertising platforms such as Google Ads or social media advertising to target construction companies or contractors who may be in need of builder's risk coverage. By targeting their advertising to specific keywords or demographics, brokers can reach potential clients who are actively searching for insurance coverage.

By using these methods, brokers can identify a range of builder's risk insurance opportunities and connect with potential clients who may be in need of their services.

How Can a Broker Explain Builder's Risk Coverage and Limits to Clients?

- Understand project scope and ask specific questions to clarify. Recommend policy based on project type and highlight key exclusions.
- Inform client of deductibles and risk options.
- Check for past claims to determine coverage placement.
- Explain valuation and coinsurance, including replacement cost vs actual cash value.
- Verify project start date to avoid coverage denial due to delayed work.





Residential vs. Commercial Construction Projects?

Builder's Risk insurance coverage for residential and commercial construction projects is usually comparable, but policy limits and coverage options may differ.

For instance, commercial construction coverage may include Loss of Income, Delay in Completion, and Green Building coverage, which may not be available for residential projects.

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What Distinguishes Builder's Risk, Vacant Building, and Other Insurance Policies?

Builder's Risk insurance specifically covers property under construction or renovation, while Vacant Building insurance covers unoccupied property and not under any work/renovations. Other insurance policies, such as Commercial Property Insurance or Homeowners, may provide some coverage for renovations, but any significant updates and upgrades would leave one underinsured.

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What is Vacant Building Insurance?

- Vacant Building Insurance, also known as Vacant Home, Vacant Property, or Unoccupied Home Insurance, is a policy that offers coverage for an empty building that is not undergoing renovation or construction.
- This insurance is typically purchased for a short-term, usually ranging from three months to a year. During this period, it protects the property investment by providing property coverage and, in some cases, General Liability coverage, until the building is ready for use through construction, renovation, or occupancy.

A black and white photograph of a 'FOR RENT' sign hanging from a wooden post. The sign is white with a dark border and the words 'FOR RENT' in large, bold, dark letters. The background shows a building with a large window and a cloudy sky.

Who Purchases Vacant Building Insurance?

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Vacant Building Coverages

Vacant Building Insurance is built to cover basic GL and property exposures an empty building is likely to face. For instance, GL coverage would help your client in instances where a security guard or property manager was hurt on the premises.

Property coverage is for any damages that occur to the building itself, most commonly water damage from burst pipes or leaky sprinklers.

The most common exposures Vacant Building Insurance covers include:

- Theft
- Vandalism
- Water damage from burst pipes and sprinklers

Flexible Terms

The need for flexibility is why Distinguished's Vacant Building Insurance allows for 3, 6, 9, and 12-month terms. We also offer extensions if your client's plans are behind schedule. This way, your client is always covered, no matter the situation they find themselves in.

Quick Quotes

We help speed things up is by offering our Vacant Building Insurance applications 100% online. And nearly 70% of all applications need no review by an underwriter, so you get a bindable quote immediately after submitting.

Low Minimum Premiums

Costs are always a big factor with clients. They want to know that you're getting them the best price for the coverage they need. Whether you're looking for Vacant Building Insurance on a low-risk home, office building, or condominium, we can help you get a quote your client will appreciate.

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Are There Any Exclusions to Coverage in a Vacant Building Insurance Policy?

Yes, typically exclusions to coverage in a Vacant Building policy can include:

- Fungus and Mold
- Earth Movement
- Sprinkler Leakage

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What's new in Distinguished's Builder's Risk Program?

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Last month we released higher limits for ground-up new construction and remodelers in our non-coastal Builder's Risk program. Our new limits are:

- \$25M TIV for FRS and MNC
- \$15M TIV for JMS
- \$7.5M TIV for Frame

We have additional enhancements expected to launch later this year. And we look forward to sharing those changes at that time.

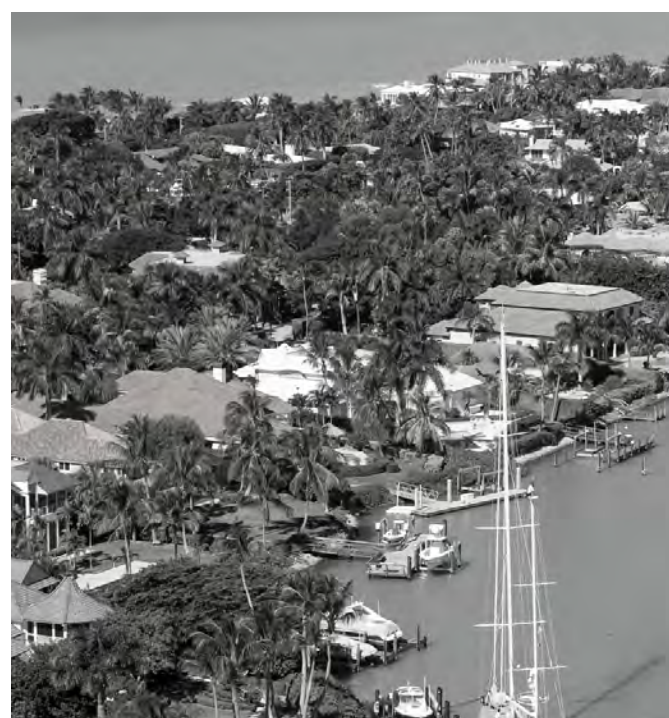




What Options are Available for Coastal Properties?

In 2021, we launched our coastal Builder's Risk product, specifically designed for properties located on or near the coast.

- It is available in 12 states and covers residential and light commercial buildings.
- For new ground-up construction, we offer coverage limits of up to \$20 million for non-frame construction and \$6.5 million for frame construction. For remodelling projects, we provide coverage up to \$5 million, regardless of the construction type.
- Our coastal Builder's Risk product features a named storm deductible and the ability to insure barrier islands and beachfront properties.



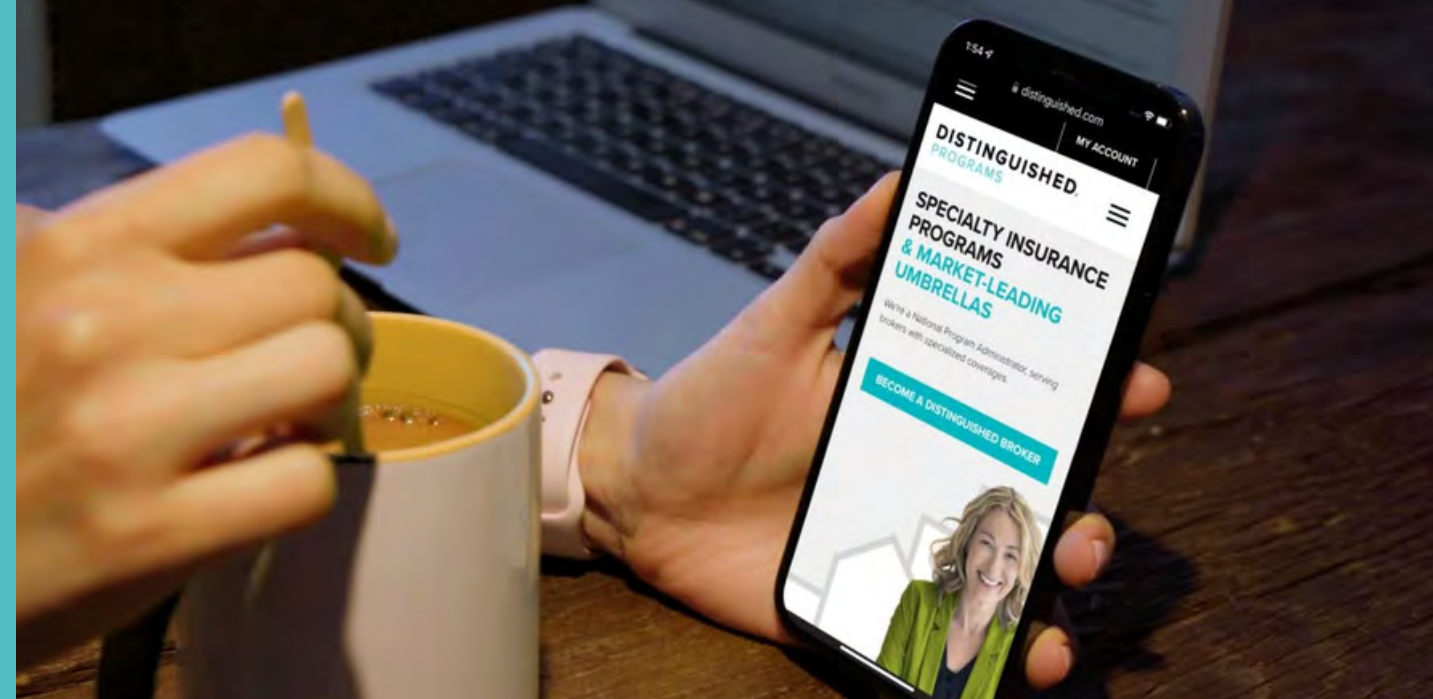
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How Do You Submit New Business?

distinguished.com

SUBMIT ONLINE 1-2-3

Almost all of our quotes are instantaneous through our online system. If an underwriter needs to look at the account, then the turnaround time will be between 24 and 48 hours.



Questions?

Let's take some questions from our attendees today

Please note:

If we are running short on time and can't get to all attendee questions now, we will be emailing everyone a PDF with the questions and answers from today's session.



Final piece of advice you'd like to give the audience?

We recognize the significance of providing quick and convenient solutions in the Builders Risk market. Our clients often approach our brokers just a few days before the project commences or even on the day it starts. To meet these pressing needs and secure the business, we have implemented an online application process, which has proven to be highly effective.

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DISTINGUISHED BROKER

With Distinguished, you'll need to register your brokerage, and you'll be ready to submit business in minutes. If you need any assistance, contact your Sales Executive.

REGISTER YOUR AGENCY

When you click on the button below, you'll be taken to the portal registration page. In addition to basic information about your agency, here's what you will need to make it quick and easy:

- Brokerage License Number
 - Your Producer License Number
- Once you've completed inputting your information, a principal of your agency will need to agree to and sign our Retail Brokerage Agreement.

If you are not a principal, you'll be prompted to provide the name and email of a qualified signor and the agreement will be emailed to them.

REGISTER YOUR BROKERAGE

CREATE YOUR PERSONAL LOGIN

To submit business through the portal, you'll need a personal portal login. Once again you'll need:

- Agency Brokerage License Number (so we can assign you to the right agency)
- Producer License Number

Once you've got your login, you can start submitting new business.

Register Your Brokerage With Distinguished

Learn more about our quick online registration process

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BECOME A DISTINGUISHED BROKER

To start working and winning with Distinguished, you'll need to register your brokerage. Follow the steps below, and you'll be ready to submit business in minutes. If you need any assistance, contact your Sales Executive.

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If you have registered your brokerage and are experiencing difficulties with your account, please contact us at: service@distinguished.com or 888-355-4626.

CREATE PERSONAL LOGIN

START SUBMITTING BUSINESS

There are two ways to submit business, either through our Broker Portal or with

Brian Rauber, Senior Account Executive, Capitol Insurance Agency

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“It’s the perfect case scenario where **I’ve got the price—and I’ve got the product that I can issue quickly.** It’s literally a no-lose scenario for me. And in the sales world, that’s hard to come by.”

“The vast majority of the quotes I run are automatically approved and bindable through the online portal. **Distinguished makes my job easy.**”

"I can run a quote in five minutes and have a policy issued within 10. That’s critically important to both me, the lender, and the ultimate property purchaser. As soon as I have the thumbs up from a client that they want to bind the quote, all it takes is one click.

Distinguished gets my foot in the door with new clients, which is huge from an insurance sales standpoint.

Learn how Brian binds Builders’ Risk coverage in minutes with our best-in-class products and enticing pricing. **Download the full Case Study** on Distinguished.com



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LIVE WEBINAR | EXPERT INDUSTRY PANEL

Mastering Builder's Risk Insurance

A Broker's Blueprint to Protecting Construction Projects

Thank you to everyone who joined us for today's webinar. Thank you for your time and have a wonderful rest of your day!

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