



## Protecting Yourself with Builder's Risk Insurance During a Construction Project

If you're planning a rebuild or major repairs after a wildfire or other disaster, it's wise to have insurance in place to cover things that can go wrong. Your home insurance protects your contents/personal property, and your finances (if someone gets injured on your property and sues you), but for a construction project in progress there's special insurance.<sup>1</sup>

### What is Builders Risk Insurance?

Builders Risk Insurance covers a structure and materials during construction or restoration. If a structure that's in the process of being repaired or built, and/or materials stored at the site, off site or in transit to the site are damaged, destroyed or stolen, a "Builders Risk" insurance policy will cover the losses, (subject to policy limits and conditions).

The contractor you have hired for your repair/rebuild/new build project can buy the policy or you can...either way you pay for it! Your builder may be able to get a better price than you'll find on your own. Because a Builders Risk Policy generally has a set upper limit on what it will pay for damaged or stolen materials, tools, etc., the contractor should pick those limits based on a rough estimate of the value of what they'll have on site during the project. Builders Risk policies also cover items that are off site. For example, if cabinets that you've paid for but that haven't yet been brought to the site get destroyed in a fire at the cabinet maker's facility, Builders Risk should cover that loss.

Builders Risk policies have a start and end date. It's hard to predict exactly when a project will be completed, so the length of the policy matters. If you, the homeowner, take out the policy, get your contractor's best completion date estimate. Talk with the agent or insurer you're buying the policy through to find out what's excluded, what you can add, and how to extend the policy if needed. Damage from earthquakes, volcanic eruptions and flooding are often excluded in basic policies but you may be able to add coverage for one or more of those risks if they're common in your area. Ask questions, write down the answers. Date and save your notes in a safe place.

If your contractor buys the policy, ask him/her questions about how long the policy will be in force and what it excludes. Write down the answers. Date and save your notes in a safe place. **Make sure your name is added to the policy as an "additional named insured."** Note the expiration date and calendar to check with the contractor a month in advance of that date. Once the policy expires a new one may be tricky and expensive to arrange.

### Why do I need Builders Risk if I have home insurance in place?

You need liability protection while your rebuild is in progress. Your Contractor's insurance protects your contractor. A Builder's Risk policy protects you and materials your contractor bought that you haven't yet paid for. And, most home insurance policies contain a vacancy exclusion if a home is vacant more than 60 days.

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<sup>1</sup> For guidance on adjusting your home insurance policy after a total loss to stay protected but avoid wasting money, see <https://uphelp.org/claim-guidance-publications/updating-your-home-insurance-after-a-loss/>

Will an Umbrella Policy protect me so I don't need a Builders Risk Policy?

No. An Umbrella policy doesn't cover physical objects (construction materials, cabinets, fixtures, etc.)

Can I add a Course of Construction endorsement to my home insurance instead?

You can certainly shop for that option, but few insurers offer it.

What voids a Builders Risk Insurance policy?

- Builder or homeowner abandons the project (unless homeowner is on policy)
- Builder has policy and builder is terminated.
- Moving contents into the house before receiving your Final Occupancy unless you have an endorsement that allows you to place contents in the house 30 days before Occupancy. Be aware that contents are not covered under this policy.

If your project is restoring a smoke-damaged or partially burned home, you may have a harder time finding a reasonably priced Builders Risk policy. Insurance companies are pickier about writing a policy on a partial loss. If you strike out on getting a quote from a known brand insurer, find a broker with access to "Surplus Lines" non-admitted insurers that might offer a better option.

When you receive your final occupancy certificate you want to have a homeowners insurance policy in force so you do not have a gap in protection.

We hope your project goes smoothly and you'll never have to use it, but most experienced builders won't do a project without Builder's Risk insurance in place so we recommend it!