

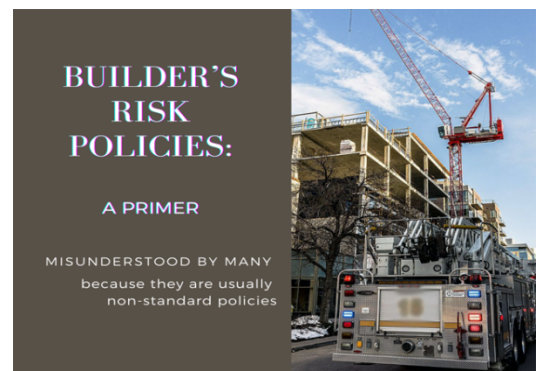
# Understanding Builder's Risk Policies: A Primer

By [Robert M. Anderson](#) | Published July 10th, 2021

## Builder's Risk Policies

Often misunderstood by many because they are usually non-standard policies. Most insurance companies use their own form, not the Insurance Services Office (ISO) version filed with all fifty States.

**Builder's Risk policies** also known as **Course of**



**Construction** insurance policies are also different from standard policies as the purpose is to cover all the varied party interests in a **single policy**. Those interests would include the Contractor, Project Owner, Lender, and Tenant (if it differs from Project Owner.)

## Interests and Concerns of the Various Parties

The owner is concerned about direct damage to the building and damage to materials in transit or in storage that have not yet arrived on-site. The owner also has exposure to loss of income in the event of delayed completion, loss of permanent financing, interest rate increases, increased real estate broker fees, additional insurance costs, additional taxes, and other indirect losses or “soft costs.”

The lender’s interest arises from the potential loss from a construction loan where funds are advanced, the project is never completed, and the loan cannot be repaid.

## Whose Obligation to Purchase Coverage – Builder’s Risk Policies

One party usually purchases a Builder’s Risk policy covering all interests, and the construction contract will typically specify whose obligation it is to buy the coverage. Some other determinants of the purchaser include the following circumstances: if a large Real Estate Developer always has multiple projects under construction, it might have a blanket policy covering those projects on a reporting basis. Since the contractor has a constant need for coverage, the common practice is for them to be the purchaser. Even when the

contractor is the purchaser, it is possible to include all of the other involved entities to be Named Insureds under the policy giving each equal priority. Each party and their broker should negotiate for Named Insured status on every Builder's Risk policy.

## Business Interruption, Project Delays, Catastrophic Losses

Insureds and their insurance brokers should pay particular attention to catastrophic losses such as floods, storms, and earth movement. Even if covered, such losses are often subject to a reduced sub-limit. Many additional costs resulting from the delay of construction are not covered in the insurers' primary forms but can be purchased as extensions for project delay or business interruption/extra expense coverage and can also pick up various "soft costs" such as penalties for delay of completion or putting the project into service.

## Essential Considerations on Builder's Risk Policies

Additional essential considerations on builder's risk policies might include Temperature, Humidity, and Change in conditions if the materials are susceptible to those damages. Focus also should be put on materials either in transit or stored away from the construction site. The definition of construction site usually gives only a minimal radius of extension ranging from 100 to 1,000 feet. Also, a loss at an off-site storage location may prevent work from being performed at the primary construction site. Delay or business interruption/extra expense coverage would have to be triggered by losses at the storage site and generally would not be covered if a covered loss did not directly cause physical damage to the construction site.

[CONTACT US](#)

# Need help with federal cases involving insurance?

The experts at The AndersonEdge have been involved in many federal cases and can assist you in evaluating your case.

If you need assistance with a **litigation case involving a builder's risk policy** reach out to Robert M. Anderson, CPCU, insurance expert with over 40 years' experience, and **author** of this article used for a case. As stated, many people frequently misunderstand these types of policies because they are characteristically non-standard policies. Robert Anderson and The Anderson Edge team is very experienced and available to help. **Call 1 949 645-6842** for a complimentary 30-minute phone consult or [email](#) today.



*Photo credits and attribution*

[RBKnight](#), [CC BY-SA 4.0](#), via Wikimedia Commons

Banner image creative commons information: Public domain | [MyriamThyes](#)

---

By [TheAndersonEdge](#) | July 10th, 2021 | [Updates and News](#)

---

Please Bookmark or Save to Pocket, and Share article on your social sites!

