



Builders risk coverage gaps that can cost your clients

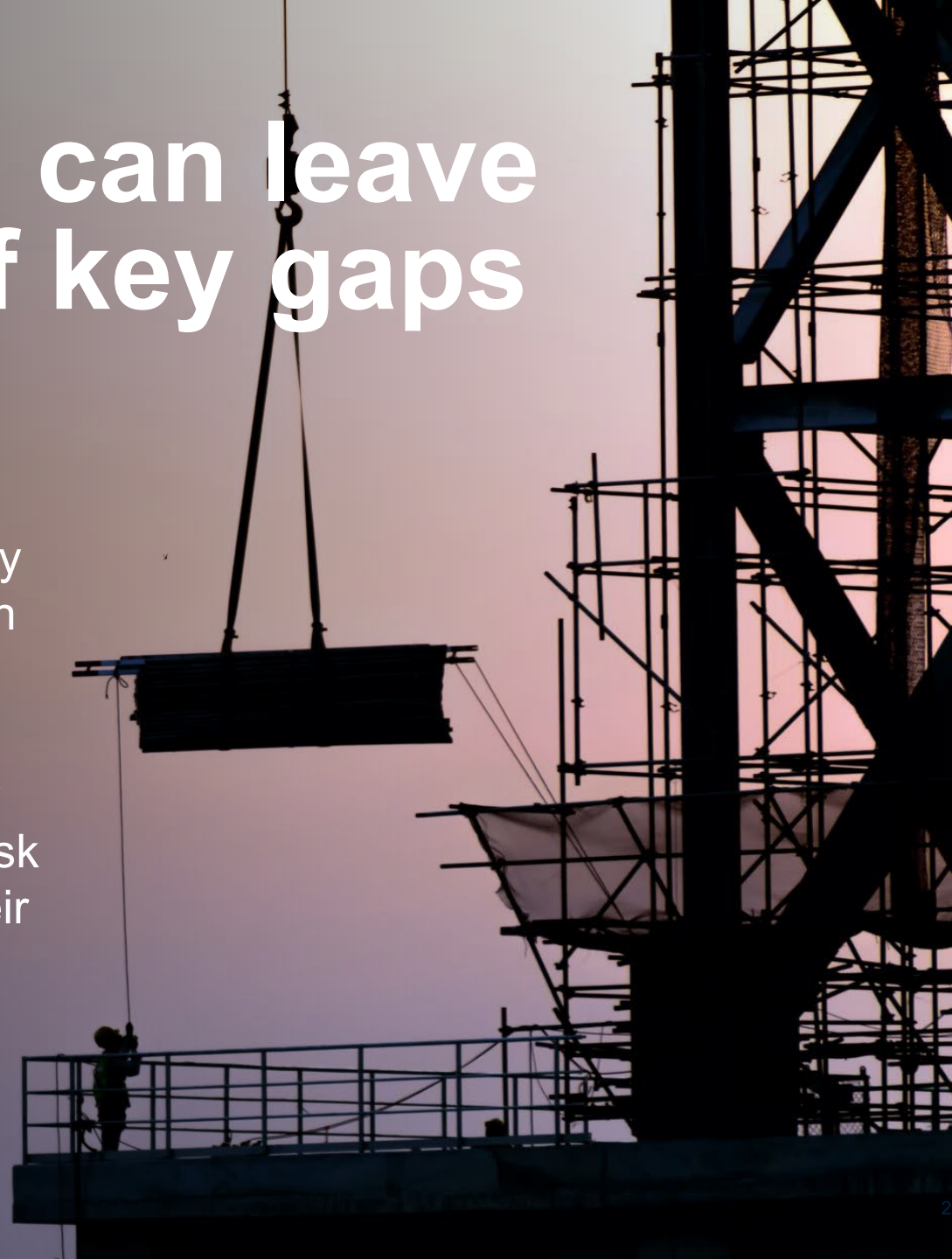
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Builders risk coverage can leave your clients exposed if key gaps are missed

- Recognizing these potential pitfalls is essential – not only to provide clients with comprehensive, tailored protection but also to help prevent costly E&O claims.
- By fully understanding these issues, you can confidently guide your clients through the complexities of builders risk insurance, maintain strong relationships, and ensure their projects remain protected from start to finish.

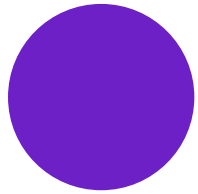


Common pitfalls and exposures in builders risk insurance



Common builders risk coverage gaps

Three exposure areas agents should watch closely



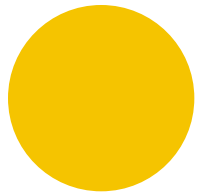
Excluded or limited perils

Standard policies may exclude flood, earthquake, windstorm, vandalism, or other high-risk causes of loss.



Soft costs and delay-related expenses

Indirect costs such as loan interest, architect fees, and legal expenses may not be covered automatically.



Coverage gaps during transition

Risk can arise when builders risk ends and permanent property coverage has not yet begun.



**Exposures based on
project type:**

**Residential vs.
commercial**



Residential and commercial projects require different coverage conversations

The nature of the construction project – whether commercial or residential – can influence the types of risks involved and the coverage needed.

You must recognize these differences to recommend appropriate builders risk policies that address the specific exposures of each project type.



Vital tips for agents



Tailor coverage recommendations based on project type – don't use a one-size fits-all approach.



For residential projects, emphasize protection for materials and theft, especially if sites are unattended.



For commercial projects, discuss additional endorsements like equipment breakdown and business interruption.



Ask detailed questions about project size, duration, and complexity to identify exposures accurately.

**Scope of builders
risk coverage:**

**When it begins and
ends**



Agents should clarify exactly when builders risk coverage begins and ends



Understanding the precise timing of builders risk coverage is crucial to avoid gaps that could leave a project unprotected.

You should clearly communicate when coverage typically starts and ends, ensuring clients know the boundaries of their protection throughout the construction lifecycle.

Vital tips for agents



Clearly explain to clients the exact start and end points of coverage to avoid misunderstandings.



Confirm with clients when construction begins and when the project is expected to be completed.



Advise clients to notify you immediately upon project completion to avoid coverage lapses.



Use checklists or reminders to track policy expiration and renewal dates.

**New construction vs.
renovation coverage
considerations**



Renovation projects often require added attention

The type of construction – new build versus renovation – creates distinct risks and coverage needs.

You must understand these differences to recommend builders risk policies that effectively address the unique exposures of each project type.



Vital tips for agents



Always ask if the project involves renovation or remodeling, not just new construction.



Ensure the policy includes coverage for the existing structure's value during renovations.



Review the scope of work carefully to identify all values at risk.



Educate clients on the difference in exposures between new builds and renovations.

**Avoiding
underinsurance:**

**Determining
adequate project
valuation**

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Accurate completed value is essential to adequate protection



Accurately determining the completed value of a construction project is fundamental to securing adequate builders risk coverage.

Underinsurance can lead to significant financial exposure; therefore, you must guide clients in establishing the correct completed value to ensure optimal protection.

Vital tips for agents



Collaborate with contractors and clients to get detailed cost estimates and budgets.



Include all components, such as materials, labor, soft costs, and contingencies, in valuation.



Regularly review and update completed value estimates if project scope or costs change.



Educate clients on the risks of underinsurance and the benefits of full replacement cost coverage to avoid to out-of-pocket losses.

Victor's Builders Risk program

Victor's Builders Risk program

- Available nationwide (exc. AK & HI)
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Today's presenter

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Q&A



Thank you



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