

NEIGHBORHOOD RISK MANAGEMENT CORP.

Builders Risk Insurance

February 27 and March 4, 2013

Willis



INTRODUCTIONS

DEBORAH ASCHHEIM

Executive Director
Neighborhood Risk Management Corporation

PATRICIA (TRISH) ENNIS

Senior Risk Control Consultant
Willis Group

MIKE PHILLIPS

Senior Vice President
Willis Group Construction Practice



Neighborhood Risk Management
CORPORATION
NWOs working to insure safer communities

TOPICS FOR DISCUSSION

- **Introductions**
- **What is “Builders Risk” and “Builders Risk Insurance”?**
- **Why Buy BR Coverage?**
- **Questions?**



Builders Risk Coverage

- **Builders risk policies are designed to provide insurance on property being constructed, installed, altered, or repaired. The builders risk policy for each project may be purchased by either the contractor or the project owner.**
- **Builder Risk coverage can typically include property damage coverage and “delay in completion” coverage.**
- **Often there are multiple insured’s which have different insurable interests (e.g. owner-contractor, subcontractor).**
- **Construction contracts can be very complicated and insurance compliance should include thorough review with counsel.**
- **The NRMC-Willis Portal contains some suggestions for contract language. Reviewing with your counsel is always recommended.**



NRMC Program

- **The NRMC Property Policy includes limited coverage for Course of Construction/Builder's Risk at no additional cost to members.**
- **Advantages of the NRMC Property Program over a stand-alone Builder's Risk Policy:**
 - Higher Limits
 - Broad Coverage
 - Covers both the existing structure and the construction
 - Eliminates the possible gap in coverage that can occur with a separate Property Policy when the project is completed
- **One situation where a separate Builder's Risk policy may be needed is when a contractor is required to be named as an additional insured in a certificate of insurance. NRMC does not add contractors as additional insured to the NRMC Property policy, so in this case a separate Builders Risk Policy is required.**



NRMC Program

- **NRMC Builders Risk Program Highlights**
- **Policy covers both new construction and renovation.**
- **NRMC Coverage Limits**
 - \$25.0 MM Limit (Hard Costs) – tangible property
 - \$2.5 MM Limit (Soft Costs) – delay costs/loss of income
- **Permanent Property coverage is triggered at the earliest of the construction being completed, the project being turned over to the owner or occupancy is granted/taken.**
- **Stand-alone Builders Risk insurance should be purchased if the contractor requests to be added to the NRMC policy as an additional insured.**



Covered Property

- **Property intended to become a “permanent” part of the structure while on the project site.**
 - For example materials that will be come part of the structure
- **Existing Structure**
- **Property that is part of the project prior to completion, during course of construction**
- **NRMC Protects the contractor’s “interests in the project”**
- **Materials on site are considered to be in the owners care, custody and control and this triggers coverage**



Valuation Issues

- Coverage is at replacement cost of damaged property.
- Amount of coverage is usually determined from either original estimates or contracts.
- NRMC Policy limit is \$25 MM



Coverage Enhancements

- **Pair – Set coverage**
- **Additional coverage for increased costs due to code changes**
- **Avoid gaps in coverage between substantial completion of construction and when the project is turned over to the owner**



Soft Costs vs. Hard Costs

- **Hard Costs- Tangible Property “Bricks & Mortar”**
- **Soft Costs-The Intangibles. Delay damages**



General Categories

Hard Costs

- Cost of Labor
- Construction Material
- Overhead
- Scaffolding
- Contingencies
- Fees

Soft Costs

- Marketing Fees
- Developers Fees
- Contingencies
- Refinancing Costs
- Loss of Income/Profits
- Loss of Interest



Time Element Coverage - Scope

- **Delay in completion coverage – covers certain delay-driven losses**
- **Coverage typically can include lost rents, lost income, expediting expense and “soft costs”.**
- **Soft Cost Coverage for losses caused by a “delay” resulting from a covered cause of loss usually includes:**
 - **Interest on Construction Financing**
 - **Additional Real Estate Taxes**
 - **Additional Marketing, Advertising, Promotional & Leasing Expenses**
 - **Additional Architect and Engineering Costs**
 - **Additional Administrative Costs.**
 - **Additional Legal and Accounting Costs.**



Time Element Coverage Period of Indemnity

- Coverage is only afforded if covered property damage causes a delay in completion of the project (must have physical damage).
- The period of indemnity commences on the date that the project would have completed had no covered property damage occurred - therefore the “period of restoration” for physical damage and period of delay for time element losses “rarely” run concurrently.



Neighborhood Risk Management
C O R P O R A T I O N

NWOs working to insure safer communities

QUESTIONS?



CONTACTS

Deborah Aschheim

Executive Director

Neighborhood Risk

Management Corporation

212-509-6762

daschheim@neighborhoodrisk.org

Trish Ennis

Senior Risk Control Consultant

Willis Group

303-765-1551

trish.ennis@willis.com

Mike Phillips

Senior Vice President

Willis Group Construction Practice

303-765-3608

michael.Phillips@willis.com

BJ Rood

Executive Vice President

Willis Group

303-765-1554

bj.rood@willis.com



Neighborhood Risk Management
C O R P O R A T I O N

NWOs working to insure safer communities

THANK YOU!