Builders Risk Insurance

Once the Fuller Center Covenant Partner acquires property, the task of risk management becomes the responsibility of the organization and more specifically, the fiduciary responsibility of the board of directors.

Steps should be taken to avoid accidents and other liabilities. Vacant lots and vacant properties become what the insurance industry calls "attractive nuisances" in that they are places of temptation for visitors, children and vandals. Lots should be cleaned of broken glass and other garbage. Holes should be filled in or clearly marked to prevent accidental injury.

Builders Risk insurance should be secured on new construction as soon as the footers are dug. This form of property owners and builders insurance insures the property while it is under construction against vandalism, accidental losses, damage or destruction of property and theft of materials.

The following information will be requested from your insurance agent to obtain a quote:

- ✓ Exact location
- ✓ Completed value of the property (do not subtract for volunteer labor or in-kind donation materials
- ✓ Description of the project
- ✓ Type of construction (floor plans, wall structure, siding, type of roof, etc.)
- ✓ Number of stories
- ✓ Protection information, distance from fire department, name of fire department, distance from the nearest fire hydrant, security systems)
- ✓ Name of contractor, and years of experience
- ✓ Breakdown of phases in the project (start and anticipated finish dates)

There are important exclusions on Builders Risk policies of which the board needs to be aware. The coverage does not cover losses occurring before construction begins or after the completion of the construction. It is important to remember that for most Builders Risk policies coverage ends as soon as the property is occupied unless the policy is designed to convert to a homeowners or landlord dwelling policy. Liability and completed product liability are typically not covered under Builders Risks policies and should be covered under the General Liability policy. Earthquake and flood coverage may be purchased as an extra rider or policy but are usually not covered under Builders Risk policies. Building materials stored off site are generally not covered under Builders Risk policies.

Tools and equipment are not typically covered by the Builders Risk policy, but this coverage can be purchased through an Inland Marine policy. This coverage is relatively inexpensive and will be important as your stock of tools and equipment grows.

There are multiple ways of billing that can make big differences in the cost of Builders Risk coverage. Some policies can be canceled mid-term. The largest Builders Risk insurer only writes policies for 12 month terms unless they are "list billed," meaning the contractor has multiple construction projects going on at the same time. Deductibles and willingness to accept larger self-insurance ratios can also have a huge impact on pricing as well the Covenant Partner's loss history and years of experience.

It is extremely important that the Covenant Partner work with an experienced, local property and casualty agent who can offer multiple products and options. National plans and affiliated group pricing might save some upfront donation dollars and project costs, but it is easy to see from the exclusions above that without a local insurance advisor, costly mistakes can occur.

For Greater Blessing projects where the Covenant Partner is making renovations to homes already owned by the partner family it is important to ask the homeowner to inform their current insurance carrier about the construction. Failure to notify the insurer could result in a claim being denied or the homeowners policy being non-renewed due to the increased liability risk during construction.