

# The risks of builders risk

By Drew Brien

Amongst WCIA members, there always seems to be construction happening across the state, from new city halls and jails to major remodels or additions to existing property and structures.

How does a member go about obtaining coverage for those new buildings or remodels or additions?

The answer is **builders risk coverage**. Builders risk insurance covers a construction project while it is in progress including the materials, supplies, equipment, and other costs associated with completing the project. It is an essential form of coverage as part of a comprehensive risk management program. In the WCIA Liability Resource Manual, [ADM.21 Insurance and Indemnity Requirement for Contracts](#), contains recommended language to use for facility construction projects.

- WCIA recommends members require builders risk insurance be provided by the contractor for all new construction of buildings, facilities, and structures, including but not limited to, wastewater treatment plants, lift stations, water treatment plants, dams, piers, bridges, towers, reservoirs, and major sewer projects.
- Builders risk insurance is also recommended for significant additions, remodels, or renovations to existing scheduled locations. In addition, builders risk is recommended when significant materials and equipment will be used.

When determining the amount of builders risk insurance for a project, use the estimated completed value of the project to determine the limits of builders risk insurance. For example, if the completed value of your project is \$2,500,000, that is the amount to be used. As with all forms of property coverage, builders risk insurance will have a deductible for losses. The facility construction project language in ADM.21 was recently updated to recommend requesting a \$25,000 deductible for builders risk insurance, which is to be the responsibility of the contractor, although higher deductibles may be acceptable for both flood and earthquake related losses.

Additionally, it is important to require that the builders risk policy is maintained until the member has accepted substantial completion of the project at which point the member would then want to list the property on their WCIA property schedule.

As always, WCIA is here to help. Reach out to your WCIA Risk Management Representative with any questions or for help in determining the appropriate indemnification language and insurance requirements for a contract.