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The ABCs of Builders Risk & Coastal Exposures

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Many contractors dream of a project with a view of the beach or an ocean breeze. But if your commercial or residential blueprints are on or near the coast, how you protect your project from Mother Nature matters. The perils of coastal weather are inevitable, you need a plan in place to protect your project and mitigate risk for as long as you're on the job.

First, a sound risk management strategy should include a review of all construction documents and lender requirements, along with indemnity provisions so that the policy is tailored to the way you want it.



Crafting the right insurance for your project starts with knowing the nuts and bolts of your coverage options, including the following:

Flooding Insurance: Remember that pricing can vary depending on whether you're in a flood zone. To minimize costs, primary flood insurance is usually available through NFIP (National Flood Insurance Program). You can purchase additional flood insurance if needed through specialty insurance company. It's also important to include peril of Flood Business Income / Soft Costs (explained below).

Windstorm Coverage & Deductibles: After hurricane Wilma washed ashore in 2005, higher deductibles were put into place along parts of the East coast. Project timelines as well as the number of hurricane seasons in which your project will be insured, also dictates insurance costs.

Also, pay attention to the different types of deductibles, such as windstorm (hurricane only), named storm deductible, or standard windstorm (hail deductible). In the event of a construction loan, the lender typically will determine maximum deductible amounts based on project location. You may want to work with the lender on this, as deductible amounts may vary due to this.

In addition to windstorm coverage, separate insurance for water intrusion and wind precipitation should also be added, which is typically excluded on most policies though is a common occurrence.

Soft Costs:

Then there's the non-fixed project expenses, or 'soft costs', so anything NOT considered a construction hard cost. Here a few:

- Interest on your loan
- Missed deadlines
- Legal fees
- Loan payments
- Real estate taxes
- Architectural and engineering costs
- Delays in the Grand Opening

NOTE: In the event of a loss, soft costs provisions provide coverage for costs incurred from the date the project would have been completed (if a loss would not have occurred), until the construction is completed. This part of coverage can be complex so check with a Risk Strategies Real Estate specialist to guide you.

Ensuing Damages: This is also an important element to Builders Risk. While most Builders Risk policies are comprehensive, this can vary from state to state so it's crucial to check the state laws regarding ensuing damages. For example, let's say roof project springs a leak due to faulty workmanship. It would be important to review your policy BEFORE the work began to make sure such an error is covered.

As a builder no matter the project or location, there are proactive steps you can take to make you're your risk management strategy is a sound one.

When it comes to your insurance, never cut corners. Need a guide through the ABCs of Builders Risk & coastal exposures? [Connect with a Risk Strategies Real Estate](#) Practice expert today.

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