

# Beazley Builders Risk Why stand alone coverage?

## Reasons why builders risk coverage should be placed stand alone and not rolled into a fixed property policy:

### Claims Handling

The complexity of builders risk claims means that specialist construction claims handlers and adjusters will be required. This type of expertise may not be readily available through the fixed property policy.

### Special Coverages

Builders Risk policies and coverages are complex and need specialist construction brokers and underwriters to ensure the client's needs are properly cared for. Lack of knowledge and experience in construction could lead to serious coverage gaps and issues in the event of claims. Extensions such as Delay in Completion are specialist coverages that need to be fully understood and applied appropriately to ensure no surprises in the event of claims.

### Named Insured

The reluctance and often refusal by many Fixed Property Insurers to add contractors as insureds to the property policy can cause non-compliance with the construction contract.

### Term

Builders Risk policies cover the project for the entire term whereas Fixed Property policies are annually renewable and can leave a project without coverage if there is a loss midterm and the carrier non-renews or the panel changes. A property owner may consequently have difficulty finding a property or construction carrier willing to accept construction risk in the middle of a project or be faced with dramatic increases in insurance costs.

### Deductibles

The property program deductible is often too high for the contractor which leads to contract compliance issues.

### Project Cost Escalations

Construction projects insured through the incidental builders risk coverage of a property insurance policy could end up being underinsured due to increases in project values. The builders risk policy will typically provide an escalation clause to account for changes in the initial project valuation, whereas property insurance policies may not adequately respond to a longer project related loss if there is a percentage increase in reported project value.

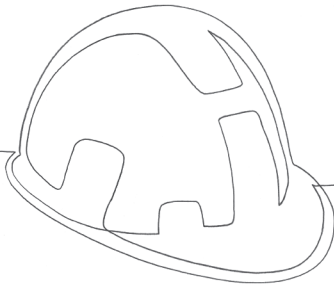
### Prevent Possible Denial of Coverage

If the construction risk consists of substantially renovating a property with structural changes that result in temporarily compromising protection features, the owner's property policy could view this as a material change in risk and deny coverage.

### Delay in Completion Losses

A client who wishes to insure future profits generated from a construction project (delay in completion), may find the coverage available in the property market. However, property markets may struggle to adjust delay in completion claims properly due to their special nature. In addition, if there has been a change of insurer midway through the project, loss adjustment for delay in completion claims may be virtually impossible if the loss that causes the delay occurs.

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# Builders Risk

## Why stand alone coverage?

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### Risk Engineering

Property insurers sometimes send surveyors during the course of construction but their interests and experience is usually related to the completed property or plant, not the risks to the project during construction. We employ specialist engineers whose principal interest is assisting the owners and contractors in identifying any weaknesses in procedures on the construction project, helping to ensure the project is completed without incidents and can open on time to start producing revenue for the client.

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