

Keys to consider when buying builders risk insurance

By Jeff DeHaan,
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Builders risk coverage insures against risk of loss from damage to property under construction, whether new construction or renovation of existing buildings. Home builders and remodelers need to understand that builders risk coverage presents issues not normally associated with property coverage for existing buildings.

There is no standard builders risk policy. Most builders risk policies are written on inland marine (rather than commercial property) policies. This is due to the inherent flexibility of inland marine insurance and the

flexibility in pricing it allows. Coverage can apply not only to property at the construction site, but also to property at off-site storage locations and in transit.

Underwriting the risk presented by a home or other building under construction takes into consideration both the fact that the full value of the insured risk develops over time and that there are greater risks (like vandalism) associated with a building that is unoccupied and under construction.

Keys to consider:

- Who is responsible for obtaining the insurance and who should any claim settlement be paid to?

The homeowner or the contractor can buy a policy, but if you as the contractor want your interests protected, make sure you review the policy.

- Does the policy cover debris removal?
- Does it cover property in storage at other locations and in transit to the building site?
- Will it cover "soft" costs such as new permitting needed after a loss and the cost of delays?
- Will it cover your "profits" as a builder?
- What coverage is there for water back-up? Is it enough?

Cost Saving Tip

Many builders unnecessarily overstate the values to insure, which results in significantly higher premiums. Most builders risk coverage forms do not require builders to insure those costs that are not subject to loss or that would not have to be incurred again as a result of a total loss. Examples of these costs that may be deducted from the estimated completed values include real estate sales commissions, closing costs, water taps fees, sewer taps fees, blueprints, engineering studies and land clearing/grading.

Remember, It's only Temporary...

A builders risk insurance policy is by definition a temporary policy. Some policies can be extended to cover homes in inventory, but that extension is not automatic. Most builders risk policies end at occupancy. Moving your niece into that home to "stage" it for sale will, in most cases, void coverage entirely.

For questions about builders risk insurance or any other type of property or liability insurance or bonding, please call Jeff DeHaan at HBA endorsed Montgomery & Graham Insurance at 971-327-5793 or email him at jdehaan@mg-pc.com

12 metro areas show recovery

Pulled from NAHB.org

The National Association of Home Builders (NAHB) recently released its first NAHB/First American Improving Markets Index (IMI), a new economic index revealing metropolitan areas that have shown improvement for at least six months in three key economic areas—housing permits, employment and housing prices.

The 12 metro areas are: Alexandria, LA; Anchorage, AK; Bangor, ME; Bismarck, ND; Casper, WY; Fairbanks, AK; Fayetteville, NC; Houma, LA; Midland, TX; New Orleans, LA; Pittsburgh, PA; Waco, TX

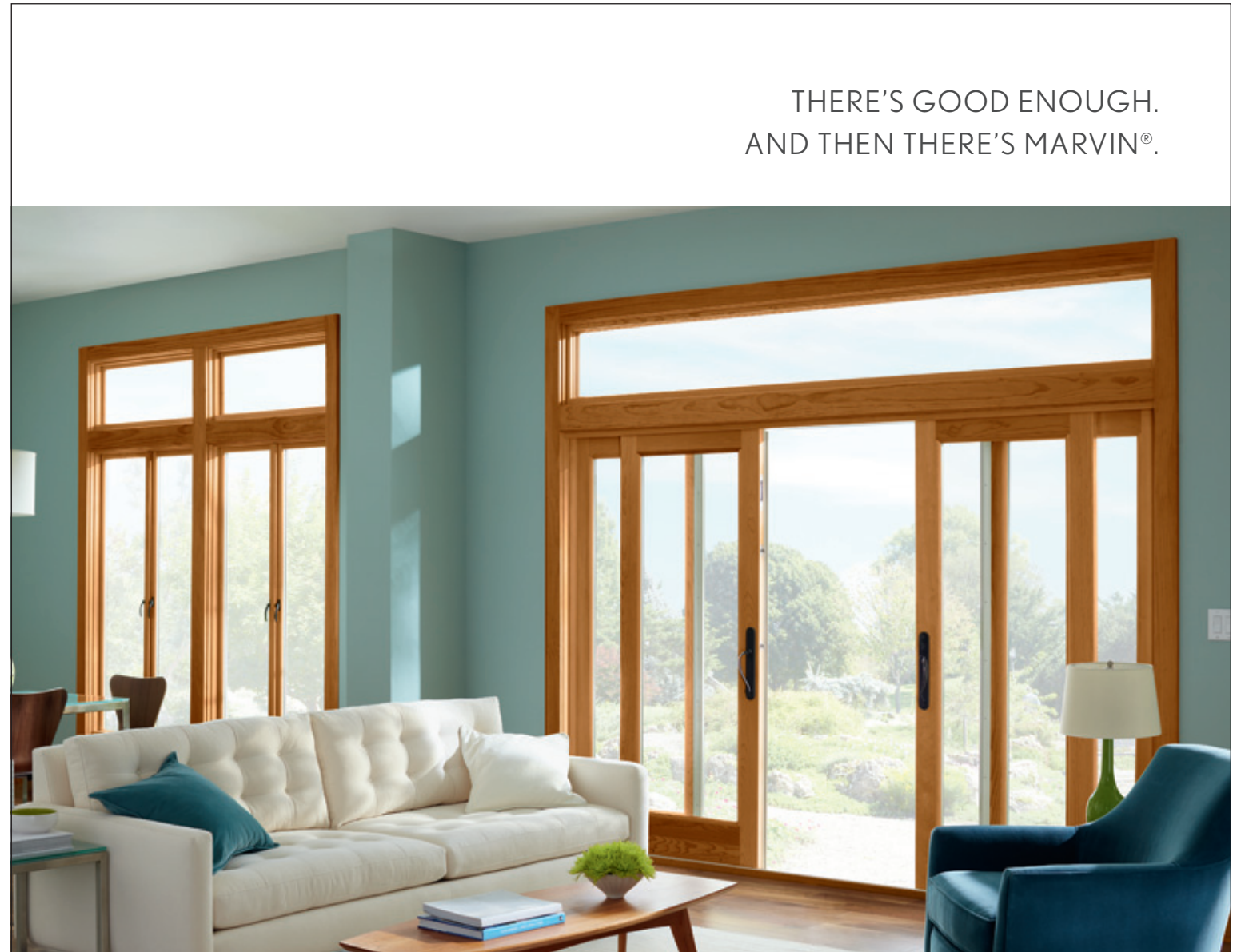
"Despite the challenging conditions in the national economy and housing sector, there are areas throughout the country where we are seeing pockets of improvement" said Bob Nielsen, chairman of the National Association of Home Builders (NAHB) and a home builder from Reno, Nev. "Housing conditions are local, and do not always reflect the national picture. We created this new index to shine a light on those housing markets across the country that have stabilized and have begun to show signs of recovery."

"By examining key indicators of home prices, employment and housing permits data, we are using a comprehensive, but conservative method in determining which markets are improving," said NAHB Chief Economist David Crowe. "Last year at this time, there was not a single market that showed improvement using these criteria, and now we can point to 12 examples of growth."

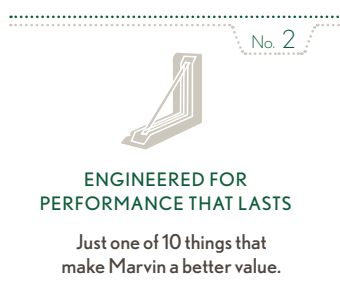
"It's not surprising that many of the states represented are energy rich areas," Crowe continued. "Those are the regions still experiencing relatively strong employment, supporting housing demand."

The IMI is designed to track housing markets throughout the country that are showing signs of improving economic health. The index measures three sets of independent monthly data to get a mark on the top improving Metropolitan Statistical Areas. The three indicators that are analyzed are employment growth from the Bureau of Labor Statistics, house price appreciation from Freddie Mac, and single-family housing permit growth from the U.S. Census Bureau. A metro area must see improvement in all three areas for at least six months following their respective troughs before being included on the improving markets list. NAHB uses the latest available data from these sources to generate the list of improving markets.

Please visit www.nahb.org/imi for additional data, tables and a list of 2011 future economic release dates.



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