

# Owner-Placed Builder's Risk Insurance: What Construction Contractors Need to Know.

## A Best Practices Checklist



There will be a builder's risk insurance placement required for almost every project that a contractor executes. The question of who will place the coverage (Owner or Contractor) is the subject of each contract negotiation and is often a source of significant discussion. In most cases, the owner will want the contractor to assume the "risk of loss" for physical damage to the project during the course of construction through substantial completion or some other specific contract milestone. The checklist below is designed to assist in the development of a risk management approach to determine if an owner's policy adequately supports the risk the contractor may contractually accept. While these practices have proven helpful, not all will apply to every situation. Each contractor must independently determine what is relevant and appropriate for their specific circumstances.

### **Builder's Risk Insurance Items to Consider**

#### **1. Policy Review**

- ✓ Request a copy of the policy form or proposed policy form (including applicable endorsements) from the owner before insurance needs to be in place (in most cases prior to mobilization or the start of receiving materials and equipment related to the project).
- ✓ Is the coverage provided for the duration of the project and on an "all risk" versus specified peril basis?
- ✓ Who is the insurer?
- ✓ Is the insurer's rating acceptable, and does it meet any insurer rating requirements?
- ✓ Does the proposed insurer typically write builder's risk?
- ✓ If the policy is a quota share between multiple carriers, does the quota share add up to 100% coverage?
- ✓ If the policy is a quota share between multiple carriers, has one carrier been designated as the lead, and do all other policies follow-form of the lead carrier's policy?
- ✓ Is the construction coverage being provided on a builder's risk coverage form or part of an owner's operational property policy (where coverage may be limited)?
- ✓ Does the proposed insurer have a history of paying valid claims?
- ✓ When the policy is placed, request a certificate of insurance with coverage dates and follow up for the actual policy when available.
- ✓ Is the term of the policy consistent with the expected term of work? Does the policy's "other insurance" clause reflect that coverage is being provided on a primary basis?
- ✓ Does the policy include a minimum of 30 days' notice of cancellation to others?
- ✓ Does the policy include any type of early occupancy limitations or exclusions?
- ✓ Does the policy include a cessation of work exclusion?

- ✓ Does the policy include full coverage for testing and equipment breakdown with no time limitation or restriction?
- ✓ Does the owner's policy cover offsite laydown or warehouse areas? If so, are the limits sufficient?
- ✓ Does the policy include an "escalation" or "limits margin" clause to automatically address change orders and value fluctuations? What are the terms of the escalation provision?
- ✓ Does the policy include coverage for the general contractor's overhead and profit (check basis of indemnity section)?
- ✓ Review the policy limits and sub-limits, including off-site storage and property in transit, and annual aggregates to be certain those limits are adequate for the project.
- ✓ Does the policy use replacement costs for physical damage and actual loss sustained for delay in completion?
- ✓ Are there any owner's insurer risk engineer requirements such as water detection or security? If yes, who is responsible for paying for these requirements?
- ✓ Are there any policy warranties?
- ✓ Review all policy exclusions. Are they acceptable or insured elsewhere?
- ✓ If the policy needs to be extended, what are the terms of an extension? Consider recommending a guaranteed period of at least 90 days at pro-rata rates, terms and conditions.
- ✓ How is water damage defined, and is there a separate deductible? Is the deductible reasonable?
- ✓ Does the policy include any serial loss clauses?
- ✓ Does the policy provide coverage for temporary structures (i.e. scaffolding)?
- ✓ Does the policy list owner, contractor, and subcontractors of every tier as additional named insureds?
- ✓ Are catastrophe perils sub-limited less than the full project value? Are any catastrophe perils excluded?
- ✓ Are there adequate limits for delay costs, including direct and indirect (this coverage is for both Owner and Contractor impacts)? Is the deductible associated with this coverage reasonable?

## 2. Contractual Requirements:

- ✓ Does the owner contract include requirement for blanket additional named insured coverage for the contractor, and subcontractors of all tiers (and are suppliers who may perform some installation support covered for their on-site activities)?
- ✓ Does the owner contract include a blanket waiver of subrogation for all parties? Does the waiver provision extend to the owner's permanent property coverage as well as the builder's risk policy, if the project involves an existing structure?

- ✓ Does the owner's contract state who is responsible for deductibles, and if passed to contractor, are they reasonable? If not, should a deductible buy-down policy be considered? Catastrophe deductibles should be the owner's responsibility.
- ✓ Consider who will be responsible for uninsured/underinsured losses.
- ✓ Can loss proceeds be paid to Contractor (or at least loss amounts below a specified amount (up to \$5,000,000, for example)?

### 3. Loss Provisions

- ✓ Is there an appointed loss adjuster and if so, are they experienced with construction phase losses?
- ✓ If the policy is written on a quota share placement, is there a single designated adjuster?
- ✓ How is a claim to be reported?
- ✓ Are claim preparation costs included under the builder's risk policy?
- ✓ Is the owner and contractor responsible for adjusting claims?

### 4. Additional Resources

- ✓ [Saxe Doernberger & Vita, P.C.: 2025 Contractor's Checklist for Owner-Place Builder's Risk Insurance.](#)
- ✓ [Preventing and Managing the Risk of a Subcontractor Default - A Best Practices Checklist](#)
- ✓ [AGC's Hot Topic Resource Library](#)