

CONSTRUCTION INSURANCE 101



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The general term “construction insurance” refers to insurance that relates to specific aspects of a project. It is designed to protect property owners, developers, and contractors through the various phases of a project. Certain projects require specific types of construction insurance.

The type of construction insurance coverage one would need for a given project or business is determined by the person’s relationship to the project (contractor, property owner, subcontractor, etc.), the type of entity buying the insurance (business or individual), and the type of property to be covered (business or residential).

A property owner undertaking a construction project could seek to insure a number of things related to the project—for example, the building, materials in transit, etc. Depending on the nature of the contract, a contractor for that same project might require different types of coverage, such as general liability and commercial auto insurance.

In the coming months, we’ll look at the different types of Construction Insurance. Let’s start with Builder’s Risk Insurance and General Liability.

Builders risk insurance is also known as course of construction (COC) insurance, or construction all risk insurance. It covers buildings and other structures while they are under construction. Homeowners insurance or commercial property insurance typically do not cover structures during construction.

The most basic builders risk insurance policies cover fire and weather damage as well as vandalism. “Premium coverage” options cost more, but can extend the coverage limits, insurable events, and/or insurable property for the policy. Damages from earthquakes or flooding are generally not covered but coverage for those events can be added to the policy.

General liability insurance is also called commercial general liability (CGL) insurance or contractor general liability insurance. It provides liability protection to businesses in the case of bodily harm

or property damage during the course of business. Whether you are the property owner, a construction company, or a contractor, liability insurance policies are available to protect policyholders from unnecessary risk.

CGL policies usually cover a broad range of damages from faulty workmanship and job-related injury to advertising injury/defamation.

Contractors or developers may be required to have a minimum level of liability insurance either by law in some states or to win certain contracts that require it. Companies who complete many design-build projects definitely should have liability insurance in case they are sued for mistakes. Subcontractors are frequently required to carry liability insurance in order to work for certain general contractors.

CGL policies are available for the following types of businesses:

- Residential General Contractors
- Developers
- Remodelers
- Light commercial general contractors
- Trade/specialty contractors (HVAC, electrical, plumbing, etc.)

Talk to your Construction Specialists at The Starr Group for guidance on your insurance and risk reduction needs. ■

NEXT: Commercial Auto, Inland Marine and Contractor’s Pollution Coverage.

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