

# Builder's Risk Coverage Versus Floater

## Builders Risk – The Basics

During the course of a construction project, there is an obvious exposure to direct property loss involving equipment and materials to be installed as well as any partially completed work. This property damage can result from rather obvious perils such as fire, wind, flood, etc., or more subtle ones such as faulty workmanship or design error. Builders risk insurance, which is normally purchased by the project owner or general contractor, is designed to cover these direct property damage risks. In addition, coverage can also be arranged to insure against indirect losses that might arise due to direct damage to the insured property. Builders risk coverage normally remains in effect until the entire construction process is completed, at which time the project owner's permanent property policy should become effective.

## What Property is Covered?

The builders risk policy will insure against property damage to the structure being built during the course of construction. This should include all fixtures, materials, machinery, and equipment that constitute a permanent part of the structure. Make certain there is coverage for damage to foundations, including pilings, since this can be a significant loss exposure during construction.

The policy should also cover equipment, machinery, materials, etc., that have not been installed but which are destined to become a permanent part of the structure. Builder's Risk will also include coverage for damage to property of others for which the insured may be liable.

## Why Use Installation Floaters?

Considering that builders risk policies are generally intended for new construction, and to a lesser extent for renovations, these types of policies may be inappropriate if the contractor's work does not involve either work on new construction or renovations. It is not liability builders risk as it applies to movable property versus real property items.

Those contractors who commonly purchase the Installation Floater are referred to as artisan contractors, because they generally are skilled manual workers—electricians, plumbers, heating and air-conditioning contractors, and roofers—who usually perform small or routine type of work on existing buildings or structures.

An Installation Floater covers a certain type of property while that property is being installed and, to a degree, while in transit. **Usually purchased by a contractor or subcontractor**, the installation floater covers expensive types of property being installed—such as machinery or generators.

## Builder's Risk or Installation Floater?

Builder's Risk Insurance is not a "standardized" coverage form and coverage varies from insurance company to insurance company. However, Builder's Risk is generally one of the broadest policies available on the market today.

An Installation Floater, on the other hand, can present insureds with a host of unknown "mine fields". **Unless negotiated to meet all the risks of a construction project, we recommend using a Builder's Risk policy in lieu of an Installation Floater.**



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