

F A Q – Frequently Asked Questions – Builders Risk Insurance

Q. When should the builders risk insurance policy be put in force?

A. Insurance should be put in effect when framing starts for the foundations.

Q. Will Premier write the risk if the project is already mid-construction?

A. Most insurers will not entertain risks where the construction has already commenced, however Premier will consider projects that are mid-construction. Premier will retro-rate the risk, charging back to when the project first started, coverage takes effect when Premier issues the binder.

Q. What length of policy should be put in place?

A. The realistic anticipated time to complete the project – policy terms are usually set in 30-day increments. Policies can be issued for as short as three months in duration to a maximum of eighteen months.

Q. What if the project takes longer than the policy term?

A. The policy can generally be extended (in monthly increments). Extension is done by pro-rata. An extension service fee is levied on each extension. Extension premiums are fully earned.

Q. When does coverage end under a builder's risk policy?

A. Three cases when coverage ends:

- 1. If the project is left unattended for more than 30 consecutive days or when construction activity has ceased for more than 30 consecutive days; or*
- 2. the expiration of the policy; or*
- 3. on the commencement of use or occupancy of any part or section of the project unless such use or occupancy is for: (i) construction purposes; (ii) office or habitational purposes; (iii) installing, testing or storing equipment or machinery.*

Q. What are “hard costs”?

A. Hard costs are:

- all materials*
- labor*
- contractors overhead/margin*

Q. What are “soft costs”?

A. Soft costs are defined in the optional Soft Costs Endorsement, as follows:

- 1. Interest on money borrowed to finance construction or repair.*
- 2. Real estate and property taxes.*
- 3. Architect, engineering and consultant fees.*
- 4. Legal and accounting fees.*
- 5. Advertising and promotional expenses.*
- 6. Commissions for renegotiation of leases*
- 7. Other expenses, if any, as may be specifically listed elsewhere in this policy.*

Q. What if I need to increase the value of the project mid-term?

A. Since the rates/premiums are based on the cost to rebuild at completion, the endorsement to increase the value will be backdated to the inception of the policy and the premium will be charged for the entire term.

Q. What if the building is completed but not yet occupied?

A. When the project has been completed Premier will be pleased offer you with terms to insure the building under the Vacant Dwelling Program.

Q. What is the difference between a mortgage and a lien?

A. A mortgage is the money lent by a financial institution to finance the project. A lien is an action taken by a 3rd party against the builder/owner and placed on the property.

Q. Who should sign the application & warranties? Insured or General Contractor?

A. The Insured signs the application and warranties.

Q. Is liability included or addition?

A. Liability is an additional coverage and is optional.

Q. Do you write LOG Homes?

A. Yes, we consider log home.

Q. Do you write risk on Islands?

A. Yes, we can consider projects that are located on islands.

Q. Can Presto assist on renovations or already started projects?

A. No, currently renovation and/or already started projects must be submitted to an underwriter to review.