



Issues with Builder's Risk

As a contractor who is accustomed to bidding, do you fully understand the importance of builder's risk insurance? If you're like many contractors, unfortunately, when bidding projects, you are not verifying who is carrying the builder's risk. So before bidding, it is crucial you know who is carrying the builder's risk first.

So why is it important to have a very good understanding of builder's risk insurance and know who is carrying the builder's risk for the project? It's simple; it is for your protection. Since you have a financial interest in the project because you are providing the material and labor for the job, if a fire occurs, who is going to pay you to redo your work, the purchase of new materials and the additional overhead and profit?

Once you have determined who is carrying the builder's risk, you need to make sure you have the answers to **ALL** the following questions:

1. If the contract has the owner or the general contractor insuring the builder's risk, exactly what is being provided to you in the policy?
 - For instance, Owner's carrying the builder's risk doesn't mean anything! For example, New Mexico State University states they carry the builder's risk, but if something happens, they will charge the contractor, so basically there is no builder's risk. Their builder's risk also excludes theft of materials.
2. Will the builder's risk pay for liquidated damages that are assessed to you if you cannot complete the project on time due to a fire?
 - There can be some other nasty exclusion on the builder's risk. Some builder's risk policies just pay for materials and labor if a fire occurs, not the overhead and profit to redo your work.
3. How much is the deductible and who is responsible for the deductible?
4. When does builder's risk cease?
 - While still working on project, as soon as occupied, builder's risk ceases (If still working on an office building and office workers are moving in and doing work, builder's risk then ceases, since building has been used for its intended use).
5. Are materials that you transport to the construction site insured through the builder's risk?
 - This question should have been addressed in the pre-construction meeting.
6. If you are a subcontractor and the general contractor is providing the builder's risk, are you named on the policy?
 - If not, the policy may not pay for your loss. Normally, there is no charge to add a subcontractor to the general contractor policy.

To make sure you are protected, request a copy of the builder's risk policy and/or a certificate of insurance to be certain that your financial interest in the project is being insured. If you have any questions, please contact Will, Shawn or Carlos, they are here to help!



**BURKE
INSURANCE
GROUP, LLC**

1691 Hickory Loop, Suite B
Las Cruces, NM 88005
575-524-2222 • 575-525-1716 (FAX)

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