

# Renovators: Consider Work On Insurance

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Planning on renovating your house this summer? You may need to renovate your own insurance coverage first.

You've probably already checked to make sure your contractor is carrying general liability, worker's compensation and auto insurance. But a contractor's policies generally cover injuries to his workers, and damage caused by the contractor's work itself -- but not necessarily other risks.

Your homeowner policy, meanwhile, may not cover damage that occurs during construction work, such as fire, theft or mishaps, which are major sources of claims. Theft of materials, including copper pipes, from work sites is also epidemic. The fact that smoke and burglar alarms are often turned off while workers go in and out of the house doesn't help.

Between 2002 and 2005, property losses from fires in one- and two-family homes during construction or major renovation increased 42%, to \$199 million from \$140 million, partly because of rising costs for materials and labor. The average loss per house was \$53,500, far higher than for occupied homes, according to the nonprofit National Fire Protection Association.

Consider buying a so-called builder's risk policy, also known as a "course of construction," or COC, policy. You can buy it as a stand-alone policy, or as an add-on to your homeowner policy. The coverage generally protects a home from damage during construction, including wind and rain, theft of materials (though not contractor's equipment) and vandalism.

Liability isn't included, though. Neither, usually, is coverage for floods or earthquakes; these additional risks must be covered separately.

You probably don't need a builder's risk policy for small-scale home-improvement projects such as updating a bathroom. But renovations big enough to require you to move out of your house often require the coverage.

Contact your agent or broker to check the terms of your existing homeowner policy, to make sure that your home's insured

value is current and that there are no significant gaps in coverage.

Builder's risk policies are priced according to local rebuilding costs and other factors. You buy coverage equal to the estimated rebuilding cost of your home at completion.

It can cost roughly 15 cents to \$1 per \$100 of coverage on an annual basis -- in other words, as much as \$5,000 to insure a \$500,000 house.

You can take out a builder's risk policy in your own name and include your contractor in it, or vice versa. For greatest peace of mind, though, buy your own. If anything happens, you can file a claim for quick reimbursement and let the insurance companies figure out who is to blame, as with an auto collision policy.

High-end insurers such as AIG Private Client Group, Chubb and Fireman's Fund usually don't require customers to buy separate coverage for renovation projects. The agent can usually convert the homeowner policy to a builder's risk policy for the duration of the project, charging a higher premium during that time.

## *SIDEBAR*

### **GETTING COVERED**

Why you may need "builder's risk" insurance:

- \* Your homeowner policy may not cover damage during big projects.
- \* A contractor's insurance covers his workers and work-related damages.
- \* A builder's risk policy provides protection against property losses.