



## **Risk Management Briefing**

### *Navigate a Challenging Insurance-Related Issue*

First in our “Whaddaya Mean I’m Not Covered?!?” series, taken from Bob Heuer’s presentation by the same name, to the 2003 Construction Industry Conference of the Michigan Association of CPA’s.

#### **Builder’s Risk Coverage (or not)**

Are you covered if fire destroys your under-construction building if one tenant has begun to move in at the time of the fire? What if the project is a retention basin, and torrential rains flood costly pumps and generators during the testing phase of the project? Many builders’ risk policies, in their “When Coverage Begins and Ends” sections, have language such as:

#### **Coverage ends when the first of the following occurs**

- Policy expires
- Project is accepted by owner
- Testing begins; or
- Project begins to be used for the purpose for which it was intended

So if you have occupancy or testing.....you have no coverage.

By the way, that “torrential rains flood costly pumps and generators” example above? Many builders’ risk policies also contain broadly-worded flood exclusions that will deny coverage for surface water accumulation (like from rain) so you may be out of luck even if the loss didn’t occur during testing.

If you’re hoping to be insured for damage to your projects in circumstances such as these, we suggest you grab a copy of the policy and read the “Exclusions” and “When Coverage Ends” sections. If you’re unsure, even after reading, feel free to give us a call. We read (and write) lots of builders’ risk policies, and might be able to help sort out the “covered” from the “not”.