

## Your Homeowner's Insurance Won't Cover Work Under Construction

Many homeowners who are renovating their homes, or building a new one, make the expensive mistake of not securing additional coverage during the construction phase.

A fire may destroy your materials and equipment, or thieves clean you out in the dead of night. When you call your homeowner's insurer, you find out it doesn't cover your home when it's under construction.

To ensure you don't end up paying out of pocket if you are renovating your home, or building a new one altogether, you'll need additional insurance during construction to protect your building materials from theft, fire, vandalism and storm damage.

Depending on what kind of project you are undertaking, you'll either need an endorsement to your homeowner's insurance policy, or a separate policy. Your coverage will also depend on what kind of insurance your contractor carries.

### A short home construction project

You will likely need a "Home Under Construction" rider — or endorsement — to your current homeowner's policy if you have a project on an existing home that will last just a month or two, such as:

- Adding a new room,
- Remodeling your kitchen or bathroom,
- Building a grandmother's quarters.

During a construction project like this, your homeowner's insurance won't cover the work being done from damage or burglary.

You may want to call your insurer to confirm if you need this policy. You may, especially if you have to stay elsewhere during the project.

A Home Under Construction endorsement covers losses from fires, storms, burst pipes, theft and other covered perils while your home is under construction, including:

- **Materials and equipment:** This includes any building materials you have on-site, such as tiles, cabinetry and fixtures, as well as any tools or construction equipment. It covers any work already completed that is also damaged, destroyed or stolen.
- **Additional costs:** This includes additional costs incurred after a covered event, like new licensing and permit fees, extra interest on your construction loan, and other costs associated with the delay of your project.

- **Premises liability:** If a visitor is injured at your home while it is under construction, this coverage will pay for their medical expenses, or legal expenses and any awards or settlements if they sue you.

### **Longer construction periods**

If you are building a new home or making significant changes to your current one, you'll need a completely separate builder's risk policy during construction. These are sold as three-, six-, nine- or 12-month policies.

These policies will cover the following against fire, wind, lightning, hail, theft, vandalism and explosion:

- The construction of your home,
- Additional structures on your property,
- Construction materials, equipment and tools.

Builder's risk policies do not include liability and you need to ensure your contractor has general liability insurance to cover any accidents that injure a third party or damage their property.

Also, since the builder's risk policy is separate from your homeowner's policy, you can negotiate with your contractor about who should cover the costs of the policy.

### **Costs**

Costs will vary for both of these coverages and depend on the scope of the project, the time, the cost of materials and where you live. If you have expensive materials on-site and a lot of custom work, you'll likely pay more.

Also, coverage will cost more in areas susceptible to natural catastrophes than in areas that are not high risk.

But regardless, if you are having any construction work done on your home, be it short-term or long-term, you will want to ensure you are covered for damage to the work being done and materials and tools on-site.

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