

How New Construction and Remodeling Projects Differ

An Overview for the Builders Risk Plan Insured by Zurich



What's the difference between new construction and remodeling?

When projects blur the line between new construction and remodeling, you might be puzzled selecting the right builders risk policy type. But, understanding what sets these project types apart and how your choice impacts coverage can help ensure your clients are properly protected should a loss occur during the course of construction.

New Construction Projects

New construction is built from the ground up, where there was no previous existing structure before the project work began, and it has yet to be put to its intended use.

Permanent property insurance typically covers the final product or structure, not one that is under construction. When your client is planning a new construction project, having a comprehensive builders risk insurance policy is crucial to protect their interests from unforeseen losses.



Coverage Highlights

- Residential and commercial projects valued up to \$75 million are eligible.
- Policy options include "one shot" or single structure, reporting form and deposit premium.
- Standard coverages include but are not limited to: theft, vandalism, arson, fire and materials in transit.
- Higher sub-limits and additional coverages, including endorsements for soft costs, contract change orders and more.
- Available nationwide on an admitted basis.

Eligible Project Examples

Residential New Construction	Commercial New Construction
<ul style="list-style-type: none">• One-to-four family homes	<ul style="list-style-type: none">• Apartments and condos (5+ units)
<ul style="list-style-type: none">• Custom homes	<ul style="list-style-type: none">• Dealerships
<ul style="list-style-type: none">• Modular homes	<ul style="list-style-type: none">• Financial institutions
<ul style="list-style-type: none">• Tract homes	<ul style="list-style-type: none">• Office buildings
<ul style="list-style-type: none">• Duplexes	<ul style="list-style-type: none">• Hotels
<ul style="list-style-type: none">• Detached garages	<ul style="list-style-type: none">• Retail and grocery stores

Basic Underwriting Guidelines

- Two years of project-related experience is required for the contractor.
- The policy must be purchased in the name of the owner, builder or someone with an insurable interest in the completed project.
- Applications for projects that are less than 30% complete will typically flow through our online policy issuance system. If it's over 30% complete, the submission will be subject to an underwriting hold.

Remodeling Projects

A project is considered remodeling if there is an existing structure that will be modified in some manner, not including installations.

Remodeling insurance can be written to include the existing structure, or cover only the renovation. In some cases, if the structure was demolished but the foundation remains, the project is still considered remodeling.



Coverage Highlights

- Residential and commercial projects valued up to \$75 are eligible.
- Multiple policy terms are available and may be extended with underwriting approval.
- Standard coverages include but are not limited to: theft, vandalism, arson, fire and materials in transit.
- Higher sub-limits and additional coverages are available, including endorsements for change orders, green building and more.
- Available nationwide on an admitted basis.

Coverage Form Definitions

- **Basic Remodel:** changes to the interior (e.g. replacement of interior fixtures, cabinets and flooring).
- **Minor Structural:** changes to the interior and exterior (e.g. doors, windows, roof replacement and ground floor additions).
- **Major Structural:** repair, replacement or removal of load-bearing walls or foundation of stories, stairways and elevators; stamped engineering plans required.

Eligible Project Examples

Residential Remodeling	Commercial Remodeling
<ul style="list-style-type: none">• Bathroom and kitchen improvements	<ul style="list-style-type: none">• Hotel guestroom improvements
<ul style="list-style-type: none">• Building additional stories	<ul style="list-style-type: none">• Office interior upgrade
<ul style="list-style-type: none">• Ground-floor additions	<ul style="list-style-type: none">• Retail store expansion
<ul style="list-style-type: none">• Removing load-bearing walls	<ul style="list-style-type: none">• Storefront makeover
<ul style="list-style-type: none">• Roof replacement	<ul style="list-style-type: none">• Adding an elevator to a parking garage

Basic Underwriting Guidelines

- Two years of project-related experience is required for the contractor.
- The policy must be purchased in the name of the owner, builder or someone with an insurable interest in the completed project.
- The existing structure coverage will be based on Actual Cash Value.
- If existing structure coverage is needed, the renovation limit must be at least 20% of the existing structure value.
- Be sure to read the “Construction Inactivity Clause” in the HBIS-37 with the insured to understand conditions in the policy when selected the policy term based on the amount of renovations being selected.
- Historic properties or homes being lifted or moved from their existing foundation are ineligible.

Pop Quiz: Is it a new construction or remodeling project?

Scenario: Your client, Owen Owner, is building a retail office space with Connor Contractor and took out a builders risk policy. Midway through construction, Owen Owner and Connor Contractor part ways. Owen Owner needs to finish the project with another contractor, and a new builders risk policy is required to complete the build.

Answer: The project is still considered new construction because there is no prior existing structure.

Scenario: Your client, Harry Homeowner, purchased an existing house and intends to hire a contractor to update the interior. These adjustments include new counters, floors and appliances for the kitchen and bathrooms, and removing the wall between the master closet and associated bedroom.

Answer: The project is classified as remodeling because there is an existing structure.



Submission and Contact Information

- Rate, quote and issue online: usassure.com
- General service and support: (800) 800 - 3907
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Contact Us

usassure.com

(800) 800 - 3907

8230 Nations Way, Jacksonville, FL 32256



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