



Personal Risk Management

Safeguarding Your Home Under Construction

Northern California's upscale communities often contain numerous residences under construction. These include projects of ground-up new construction, restoration, and extensive remodeling. The communities in which they are located are proud to have them as showcase residences.

The Proper Insurance Coverage

The success of these projects depends on a strong working relationship between the owner of the residence under construction and his general contractor. The owner of the property and the general contractor need responsive insurance coverage that is engineered to protect the interests of each party.

The General Contractor's Responsibilities

Commonly, the general contractor and his subcontractors have insurance coverage for the liabilities of construction operations, as well as mandatory Workers Compensation.

The Property Owner's Concerns

Liability Coverage

Separate from the contractor's coverage, the property owner generally needs to obtain liability coverage to protect his or her assets in case a third party gets injured on the property.

For example, if a trespassing teenager falls and gets hurt in the house or on the property during construction, a suit could be brought against everyone involved – and the homeowner could be held liable.

The property owner needs to be protected to defend such a suit and preserve his assets, if the contractor's insurance will not provide coverage.

Furthermore, owner's liability coverage could be needed as a safety net if the general contractor or any of his subcontractors let their own insurance policies lapse; in this case, the owner could get sued if the contractor lacks coverage or proper liability limits.

For example, if a workman suffers serious injuries on the job, and for whatever reason is not adequately covered by Workers Compensation, a suit could be brought against the owner – and the owner could be held liable.

The property owner should always make sure all contractors have current, proper, and sufficient insurance coverage. The owner should request that the contractor name the owner as an "additional insured" on the contractor's policy. By doing so, an extra layer of protection is provided to the owner. If the owner gets sued, the contractor's policy would respond, along with any policy the property owner maintains.

The Property Owner's Concerns- Cont'd

Property Coverage

In any kind of construction, restoration, or remodel (in which the owner cannot occupy the property), the owner needs a special coverage apart from his customary Homeowners policy, which is called a **Course of Construction** policy or "**COC**".

The "COC" insures the project until it is fully completed and the owner is able to occupy the property. The policy covers the dwelling while under construction; in addition, the building materials, while on site or stored in the home, are covered for theft. A standard Homeowners policy might exclude the theft of these materials because the house is vacant.

For example, if the owner has kitchen cabinets in the garage of the house waiting to be installed and they are stolen overnight, the COC will provide coverage – depending on the contract language, a Homeowners policy might not.

On particularly large projects spanning a number of years, insurance underwriters will adjust values for "COC" premiums on a gradual basis, as completion is underway. However, some underwriters might chose to insure the project at its completed value, and then charge the premium at an average rate.

Work With Experts

Insurance carriers tell us that the highest incidence of claims results from those properties that are under construction. From a risk perspective, the proper insurance coverage is fundamental for adequate protection.

MacCorkle Insurance Service has over 35 years of experience providing "COC" advice and coverage for sophisticated clients and their unique risks. Our quality markets offer limits ranging between \$500,000 to \$100 million.

For help ensuring that your dream house will be a reality, contact MacCorkle Insurance Service at 650-349-2364.