

# Stacking up

The Builders Risk Plan



# A Quality Builders Risk Plan



Our Builders Risk Plan offers world-class coverages, flexibility and service to agents and builders nationwide. For more than 30 years, the Builders Risk Plan has protected the property interests of builders and mortgagees on some of the most complex residential and commercial construction projects.

While we've been a market leader with our residential Builders Risk Plan, we also provide competitive and more comprehensive programs for projects involving remodeling jobs including those with structural changes as well as for your commercial construction projects. For superior commercial construction risks, we can meet virtually all requested coverage limits for builders risk.

In many states, agents have binding authority for structures up to \$3 million,\* and our Builders Risk team is available to assist you with higher value structures. Recent policies include a \$32.6 million church, \$24 million school, \$12.4 million condo renovation and a \$5 million auto showroom.

\*Please consult the current state rate page on our Web site for binding authority and underwriting guidelines.

## The right choice for you

With our focus on ease of doing business, we make it more cost effective and efficient for you to do business with us:

- Capacity for products of any value
- Frame construction: values up to \$50 million (\$25 million amount subject) eligible with underwriting approval
- Ability to cover remodeling projects, including those with structure changes. Existing structure coverage is also available
- Ability to rate, quote, issue and manage many Builders Risk policies over the Internet in just a few minutes
- Dedicated Builders Risk underwriting professionals available to serve you

- Innovative coverage options designed with the needs of residential and commercial contractors in mind
- Broad market reach that increases your customer pool and profit potential
- Policy and billing options that work for you

## Value Added Services

- Dedicated construction risk engineers with extensive industry expertise
- Claim service, dedicated to Builders Risk, that gets your customers back in business
- Services, planning, consultation and evaluations aimed at enabling our customers to more effectively and proactively manage risks
- Disaster Management Vendor System - offering disaster recovery assistance from a qualified vendor anywhere in the country at Zurich's negotiated rates
- Reward Program - helps protect construction sites from criminal activities and aids in maintaining low insurance premiums

The Builders Risk Plan is underwritten by Zurich, one of the stronger, more reliable companies in the insurance industry. Zurich has earned an 'A' (Stable) rating by A.M. Best and an 'AA-' (Stable) rating by Standard & Poor's,\* a confirmation of its financial strength.

\*Ratings as of March 2, 2009

The information contained in this booklet highlights the many features of our quality Builders Risk Plan product. For more detailed information or to issue a policy, log in to [www.zisinternet.com](http://www.zisinternet.com) or call 800-800-3907, option 2, to speak with a service representative.

## Policy options designed around builders' needs

### Reporting form and single structure policies

Residential and small commercial builders appreciate the flexible options available under our two policies — reporting form and single structure or “one shot.” Larger commercial builders may choose reporting options based on certain guidelines and restrictions.

### Reporting form details

- Available for residential single-family homes and commercial structures with estimated completed values up to \$3 million for any one structure and up to \$5 million for all covered property in most states. Consult rate pages for state specifics. Higher limits available with underwriting approval.
- The agency issues the reporting form policy via the Internet once, and the monthly or annual rate is selected at the inception of the policy.
- Pre-existing inventory can be covered if reported immediately at the time of policy issuance.
- Zurich will send a report directly to the builder every month. The builder mails the report and premium directly to the Builders Risk Plan. Commission is paid on the agent's Zurich Agency Account Summary.
- Builders may elect to report online via [www.buildersriskreports.com](http://www.buildersriskreports.com).

For annual rates, the builder must report any new start and pay the appropriate annualized premium by the end of the month following the month when the start actually began.

Coverage is provided for 12 months and may be renewed for another year at the same rate. Third year may be renewed at a higher rate. A fourth year of coverage for unsold dwellings may be purchased on a separate single structure policy.

For monthly rates, the builder must report the total inventory for all structures each month,

regardless of the start date, and pay the appropriate premium by the end of the following month.

**Payment Example:** For a structure that began in January, the report and the appropriate premium are due by the last day of February.

### Single structure (“one shot”) details

- Available for residential single-family homes and commercial structures.
- Ideal for builders who build or remodel five or fewer structures per year.
- Policy can be written in the owner's name if the builder qualifies for coverage.
- Agent issues a separate policy for each structure to be covered.
- One renewal policy can be issued at the same rate. Third year policy available at a higher rate. A fourth year of coverage for unsold dwellings may be purchased on a separate single structure policy.
- An annual rate will apply. In most states, a minimum premium (currently \$375) applies.
- Agents have two payment options: They can choose to pay for the “one shot” and supplemental policies (trade-in, purchaser under contract, model home contents, unsold dwelling, Contractors Equipment), electronically, or they can have them billed to the agent's monthly Zurich Agency Account Summary statement. Either way, commissions will be paid on this statement. Agents should request up-front payment from their customers for these policies.

### Remodeling

- Program eligibility categories: basic remodeling, minor structural changes and major structural/restructuring changes.
- Term policies available for 6, 9 and 12 month options.
- Remodeling project by itself or combined with existing structure is considered a remodeling policy.
- ACV existing structure valuation.
- Available on one shot policy.

## Other coverage options

Several options are available to enhance our standard Builders Risk Plan policy. These options may be written in addition to Builders Risk coverage and are not available on a monoline basis.

### Installation Floaters:

- Provides coverage for property of the insured and property of others that are being installed or awaiting installation
- Designed to protect the subcontractor and service provider from the exposures faced during installation
- Can be written on a one-time basis (one-shot)
- Can provide coverage for multiple locations based on receipts over a period of time; can be written on a blanket or reporting form basis
- Covers the material or equipment in the insureds care, custody or control, and is designed to become part of the covered project
- Covers labor and profit
- Coverage extended while in transit
- Coverage for temporary storage locations
- Can be written for term of the project

### Model home contents

- Designed for contents located in a model home.
- Includes items in storage and in transit.
- Coverage is on a blanket basis when written as a one shot policy.
- Can be covered on a Builders Risk reporting form policy if properly endorsed and reported. Coverage is not on a blanket basis, and separate limits must be reported for each model home.

### Trade-in

- Coverage for vacant and unoccupied completed dwelling property of the first-named insured taken in trade or purchased to remodel and sell.

### Unsold dwelling

- Coverage for vacant and unoccupied completed dwelling property of the first-named insured previously covered under a Zurich Builders Risk policy.

- Flood and Earthquake coverages are available on unsold dwellings in certain states if Flood and Earthquake coverages were previously included under the standard Builders Risk policy.
- Available for up to two years after project completion
- Can be reported on a Builders Risk reporting form policy as a third year at the appropriate rate; a new unsold dwelling policy should be purchased for the fourth year.

## Contract Change Order

- Protects residential projects from being underinsured due to unreported changes during construction.
- Endorsement may be added at policy inception or mid-term in increments of 10, 20 or 30 percent of total insured value.
- Available on one-shot policies issued for new construction or remodeling on the residential/small commercial coverage form
- Helps agents avoid errors and omissions.

## Contractors Equipment

- Monoline product – Contractors Equipment policies can be sold on a stand-alone basis or in conjunction with Builders Risk Plan or other packages.
- Coverage options for machinery, equipment and tools of a mobile nature used in contracting, installation, erection, repair or moving operations or projects.
- Contractors Equipment policies can be written for contractors involved in carpentry, drywall, electrical, HVAC, excavators, landscapers, paving as well as municipalities and other business operating contractors equipment. Covered equipment may be owned, rented, leased or borrowed from others.
- Special coverage package automatically includes basic limits for additional debris removal expenses, expediting expenses, fire department service charges, inventory and appraisal, recharge of fire extinguishing equipment, and reward for recovery of stolen equipment. *Option to purchase higher limits available.*

- Valuation: Replacement Cost and Actual Cash Valuation are provided on the same policy. Equipment five years and under will be covered at Replacement Cost. Equipment older than five years (as of policy expiration date) will be covered at Actual Cash Value.
- Scheduled and blanket coverage options.
- Scheduled values up to \$10 million/up to \$500,000 per item eligible (agent's authority up to \$1 million per schedule/\$250,000 per item; higher values require underwriting approval)

### Purchaser under contract

- Coverage enables the home purchaser to occupy a dwelling for up to 90 days pending closing while builder collects rent.
- Dwelling must have been previously insured under a Builders Risk policy.
- List purchaser as Additional Named Insured.
- Values over \$250,000 must be submitted for approval and rating.

### Premium discounts

- In many states, premium discounts ranging from 5 to 50 percent are available for large builders. Consult the state rate pages for details.

### Options specific to commercial coverage

- Business Income Coverage, Waiver of Coinsurance and other coverage enhancements are available for commercial structures.
- Testing of Building Systems.

## Eligibility

*All residential and commercial structures are eligible, subject to underwriting guidelines and restrictions.*

In general, structures under \$10 million (residential or commercial) can be written on the Builders Risk Coverage Form (40471). Commercial structures over \$10 million can be written on the Commercial Builders Risk Coverage Form (40660). Both policy applications are available on our Web site.

Most policies valued at less than \$10 million can be issued online. Commercial Builders Risk policies written on the 40660 will be individually underwritten and issued manually.

- Builders must have two years' experience unless otherwise qualified. Three years' experience is required when requesting coverage for commercial structures with total estimated completed values greater than \$3 million.
- Catastrophic limit is up to \$10 million per policy on the Builders Risk Coverage Form.
- Policy may be issued in the name of the owner if the builder qualifies.

### Underwriting guidelines

- Structures with total estimated completed values greater than \$1 million (greater than \$500,000 for Florida, California and Texas) that are located in protection classes 9 and 10 and all structures with values over \$3 million require prior approval. Some counties may have additional guidelines. Consult the state rate pages (available on <http://zis.zurichna.com>) for specifics.
- Structures more than 30 percent complete at the time of the policy's effective date require prior underwriter approval.
- Existing structures over 75 years old, greater than \$1.5 million in value or undergoing structural changes require prior underwriter approval.
- Coverage will be limited to the original start period and may be renewed for up to two additional years. (Renewal of Remodelers policies with existing structure coverage are subject to prior underwriter approval.)
- Property located on barrier islands or within 1,000 feet of tidal water may be referred for coverage if wind and hail are placed in a wind pool. The states that provide wind pools are Florida, Georgia, Mississippi, North Carolina, South Carolina and Texas.
- Any fire site with total limits at risk exceeding \$3 million requires prior

underwriter approval for all structures within that fire site. A fire site includes all covered buildings under construction that are located within 100 feet of each other.

### When coverage begins

Coverage begins once any materials are delivered to the construction site. Materials are defined as the supplies and resources that will be part of the complete structure and include the foundation and footings.

For a reporting form policy, a new start is covered only when all of the following conditions are met:

- The start is reported on time
- The start is reported properly, and
- The appropriate premium accompanies the report.

### When coverage ends

The following conditions will terminate coverage:

- Once the insured's interest in the property ceases.
- With annual reporting forms, if the building is not re-reported and additional premium is not paid at the end of 12 months from the month when the builder first reported the start.
- With monthly reporting forms, if the building is not re-reported and additional premium is not paid at the end of the month following the month when the builder last reported the start.
- Ninety days after occupancy of a single-occupancy structure, unless building is being used as a model home or is being used as a model home leaseback and the appropriate policy is issued.
- If the building is leased or rented to others.
- For multiple family dwellings, when more than 50 percent is leased to or rented to others. For commercial structures, when more than 75 percent is leased to or rented to others.

- If the reported project is abandoned.
- If permanent property insurance is in force or when the property is accepted by the owner or buyer.

## Rates

### Guidelines

- Rates are per \$100 of completed value. In most states, all premiums are fully earned.
- Total estimated completed value includes labor, overhead and cost of material. Profit may be covered if included in the total estimated completed value. If sale price is known, calculate the estimated completed value by subtracting the cost of the land from the sale price.
- Monthly Rate: Builder reports all inventory each month. This rate is generally cost effective for houses that are built and sold within three to five months or less.
- Annual Rate: Builder reports only new starts each month. Each report can have coverage for up to 14 months. Builder can re-report two times for a maximum of three years' coverage. Coverage for the third year will be at a different rate.
- A fourth year of coverage may be added under a new unsold dwelling policy.
- The policy is issued by the agency, and the agent has binding authority of up to five days, subject to underwriting guidelines.
- A \$1,000 deductible is standard on most policies. Other options are available with appropriate discounts applicable. Consult state rate pages.
- In most states, there is a fully-earned minimum premium (currently \$375) on "one shot" policies, and the annual rate is used.
- Modular/prefabricated homes are written on an annual rate only. Prior underwriter approval is required.

## Ease of doing business

With the ability to issue and manage many Builders Risk Plan policies over the Internet, you can conduct business on your own terms: anytime, anywhere.

One of the reasons our program is so popular is that we provide an ease of doing business unparalleled in the industry. In as few as six simple steps and in just a few minutes, agents can issue a Builders Risk policy on www.zisinternet.com.

To issue a Builders Risk Policy over the Internet, log in to www.zisinternet.com and choose the "Builders Risk Policy Issuance" icon from the left column of the screen.



- For current, detailed, state-specific rate pages, choose the "Rates" tab once you have logged in.
- For assistance with issuing a policy over the Internet or for any specific policy questions, please call 800-800-3907, option 2, to speak with a service representative.

In as few as six simple steps and just a few minutes, a Builders Risk Plan policy is ready to be issued:

Review information and choose a payment option: electronic funds transfer or charge to Agency Account Summary.

Print all policy forms to complete the process.

Policy form	Date Issued	Date Effective	Date Renewal	Premium	Payment	Application
1	New Business - Insured's & agent's info	06/07/2006	06/07/2006	\$1,042.00	6 mo	electronic

## Builders Risk coverage checklist

For residential and commercial construction projects up to \$10 million. For other structures, please consult the list on the back of this page.

Use this checklist to help illustrate the advantages of our residential and commercial Builders Risk Plan.

- Yes  No Do you have coverage for a completed structure that is not yet sold?
- 1 yr  2 yrs  3 yrs How long can you keep an unsold home on your policy? (Coverage is available for up to 36 months on a Zurich reporting form policy, or may be written for two years on an unsold dwelling policy after the structure has been covered under the Builders Risk Plan for two years.)
- Yes  No Do you have coverage for the interests of your subcontractors in the event their materials are damaged at or stolen from your job site?
- Yes  No Are you able to protect your profit by including it in the value of your structure?
- Yes  No Is there coverage for theft of building materials that are not yet installed at the job site?
- Yes  No Does your current policy provide coverage for property in transit for up to \$25,000?
- Yes  No Does your current policy provide coverage for property temporarily stored or located at other premises?
- Yes  No If the buyer provides the builders risk insurance, are coverage limits appropriate to properly protect your property?
- Yes  No Do you have property coverage for the buyer to occupy the home if it is completed prior to closing?
- Yes  No Can you secure property coverage for a trade-in home? Unsold dwelling?
- Yes  No Does your current policy provide Ordinance or Law coverage for new construction? (Our policy offers up to a \$1 million limit.)
- Yes  No Are you able to cover both an existing structure and improvements to that structure on a single policy?

### Does your current policy offer you the following value-added services?

- Builders Risk Loss Control Program
- Builders Risk Reward Program
- Flexible billing options
- Program stability
- No deposit for reporting form policy
- Volume pricing for large builders
- Builder's safety newsletter
- A-rated carrier

If you have Builders Risk coverage from Zurich, you can check "Yes" to all of these!

## Commercial Builders Risk checklist

For many commercial structures greater than \$10 million in value.

### Does your policy always include these coverages?

- Yes  No Property while in transit (up to a specified policy limit)
- Yes  No Property at temporary locations (up to a specified policy limit)
- Yes  No Theft of building materials not yet installed
- Yes  No Construction forms and scaffolding (up to \$100,000)
- Yes  No Valuable papers and records (up to \$25,000)
- Yes  No Trees, shrubs, plants and lawns (up to \$25,000/\$500 per item)
- Yes  No Debris removal (up to \$100,000)
- Yes  No Pollutant cleanup and removal (up to \$25,000)
- Yes  No Fire department service charge (up to \$10,000)

### Does your policy offer these optional coverages?

- Yes  No Ability to insure not only materials, labor and overhead, but also reasonable profit
- Yes  No Coverage for existing structure being renovated
- Yes  No Blanket builders risk/deposit premium (flexible installment plans)
- Yes  No Soft costs coverage (interest on construction loans, insurance premiums, advertising and promotional expenses, and real estate and property tax assessments)
- Yes  No Business income protection (pays actual loss of business income, including rental income)
- Yes  No Flood coverage (when available)
- Yes  No Earthquake coverage (when available)
- Yes  No Permission to occupy coverage
- Yes  No Testing of Building Systems coverage

### Does your carrier offer you the following?

- Yes  No Ability to cancel on a pro-rata basis (subject to minimum premium)
- Yes  No Flexible underwriting and pricing guidelines
- Yes  No A loss control program
- Yes  No Policies for the project term (up to 36 months)
- Yes  No Builders Risk Reward Program
- Yes  No Builder's safety newsletter
- Yes  No Stability with a history of excellence and growth
- Yes  No A-rated carrier

If you have Commercial Builders Risk coverage from Zurich, you can check "Yes" to all of these!

## Coverage comparison

Our Builders Risk Plan has coverages not generally available from an HO-3 or other companies. The chart below highlights many features of the leading Builders Risk Plan in the business.

Policy feature	Zurich Builders Risk Plan, coverage form 40471	Homeowners policy	Other carrier
<b>Covered insureds</b>			
	General contractor, subcontractors, remodelers, suppliers, owners	Homeowners/mortgagees only	General contractor, subcontractors, suppliers, homeowners/mortgagees
<b>Limits of liability</b>			
Structure	Estimated completed value, including overhead and profit	Replacement cost of structure up to limit	Estimated completed value
Temporary premises	Up to \$10,000	Limited	Yes
In transit	Up to \$25,000	Limited	Yes
<b>Covered property</b>			
Residential	Yes	Yes	Yes
Commercial	Yes	No	Yes
Model homes	Yes	No	No
Building materials	Yes	Limited	Yes
Trees, shrubs, lawns	Yes	\$5,000/item up to 5% of dwelling limit	No
Property owned by subcontractors	Yes	No	No

## Coverage comparison (continued)

Policy feature	Zurich Builders Risk Plan, coverage form 40471	Homeowners policy	Other carrier
<b>Coverages</b>			
Theft of building materials	Yes	Excluded	Yes
Glass	Yes	Not on vacant structure after 60 days	Yes
Vandalism	Yes	Not on vacant structure after 60 days	Yes
Backup of sewers and drains	\$5,000	Excluded	Yes
Valuable papers	Up to \$20,000	\$1,500 (no business data)	No
Debris removal	Limit + up to \$20,000	Limit + 5% (\$500 for any one tree, up to \$1,000 total)	25% of amount payable
Fire department charge	\$10,000	\$500	\$1,000
Pollution cleanup	Up to \$15,000	Limited	\$10,000
Sinkhole collapse	Yes	Excluded	No
Scaffolding re-erection	\$10,000	No	No
Profit	Yes	No	No
Overhead	Yes	No	No
Loss Control and Reward Programs	Rewards up to \$10,000	No	No
Contract Change Order	10%, 20%, or 30%	Not available	Not available







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Zurich Insurance Services, Inc. is an independent, third-party administrator managing policy processing for certain builders risk policies issued by Zurich and its affiliated companies.

This is intended as a general description of certain types of insurance and services available to qualified customers through the companies of Zurich in North America. Your policy is the contract that specifically and fully describes your coverage. The description of the policy provisions gives a broad overview of coverages and does not revise or amend the policy.

Insurance coverages underwritten by member companies of Zurich in North America, including Zurich American Insurance Company. Certain coverages not available in all states. Some coverages may be written on a nonadmitted basis through surplus lines brokers.

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