

Navigating the Nuisances of Builders Risk Claims

BUILDER'S RISK COVERAGE MAY be among the most complex policies in the insurance industry, contractors often forgoing it altogether for inland marine and property policies that have a narrower scope. However, builder's risk policies are a necessity for larger projects. These policies are purchased by either the owner or general contractor and cover all parties with an insurable interest in a construction project. Defining a "loss" is difficult, making it imperative to proactively collect information.

"The process for handling these claims is different from a standard property loss," said Philip Ambrose, Senior Executive General Adjuster with Engle Martin & Associates, a national independent loss adjusting and claims management firm. "Contractors and owners need an adjuster with experience and expertise who can handle the complexity of builder's risk claims when they occur."

Claim Complexity

Builder's risk claims require urgency in collecting information and to ensure damage is assessed appropriately.

"You may have a water damage claim that starts on the roof, but water trickled down and damaged sheet rock and insulation in the walls as well as flooring materials and paint in some units," Ambrose said. Forgoing third-party contractors, workers already onsite for the original project can estimate repair costs and replace damaged materials, making it necessary to track hours spent on restorations versus the primary project.

"You have to meet with all of the subcontractors who did the work originally and who will be doing repairs. You also need to explain what's covered and what

information you need from them such as daily time sheets, wage details, material invoices, etc. to document the claim," Ambrose said.

"Most of the subcontractors won't interrupt work they're doing on the rest of the project but will dedicate a few key personnel to facilitate needed repairs. It's vital to get them to identify the individuals performing repairs and provide their wage rates based on the original contract," Ambrose said.

Factoring in Delays

Builder's risk policies cover a variety of "soft costs", including extra expenses incurred during damage-related delays. However, subcontractors may be unaware of what is covered under their endorsement, often submitting multiple claims to recoup costs. "The status of the project needs to be continually tracked to determine how much delay can be attributed to the original loss," Ambrose said. "A reputable construction consultant familiar with project schedules should be engaged."

Adjusters should ask for prior change orders and data reports, which help to understand how repairs affected workflows. "If you don't make it clear from the beginning what information you'll need, all you can do is collect receipts afterwards, which might not provide adequate information," Ambrose said. "The adjuster needs to meet with the general

contractor and owner to delineate the materials needed."

Experience and Expertise

When a builder's risk claim is handled incorrectly, repairs are often delayed, causing the claim approval process to be overextended. "For example, a property could suffer a \$100,000 loss from physical damage, but a claim for \$3 million could be submitted if the subcontractors were unsure of their coverage and included multiple soft costs associated with the delay," Ambrose said. "How do you parse through it? How do you ensure the claim is accurate and the builder can recoup costs without penalties?"

The answer: an adjuster who knows the process.

Engle Martin has a dedicated team of Executive General Adjusters (EGAs) within the Construction & Builder's Risk Group, each with at least 20 years of experience handling construction claims and adept at the specificities of builder's risk claims. Most of those EGAs have prior job experience with insurers where they handled these claims regularly. They know the right experts and consultants to call, the right questions to ask, and how to work through the process. "Our team has developed expertise when it comes to builder's risk claims and there is no substitute for that," Ambrose said.

To learn more about Engle Martin, visit <http://www.englemartin.com/>.



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