

The Regents of the University of California

Frequently Asked Questions — Builder’s Risk Insurance

What is Builder’s Risk insurance?

Builder’s Risk insurance, also referred to as *All Risk* or *Course of Construction Insurance*, is a specialized property insurance policy designed to protect property during the course of construction. This coverage safeguards the University, General Contractors, and Subcontractors of all tiers against direct physical loss or damage to a project caused by covered perils while under construction.

In addition to on-site protection, a Builder’s Risk policy may extend to property stored off-site locations or while in transit, depending on declared property values. Common covered perils include fire, theft, water damage, and vandalism. The policy also includes various sublimits, such as coverage for materials in transit, off-site storage, flood, and water damage. Specific sublimits may apply to certain construction types, such as wood frame or joisted masonry.

It is important to note that certain risks—such as earthquake, land movement, terrorism, and delay in completion—are excluded under a standard Builder’s Risk policy. To obtain protection against these excluded perils, separate policy must be procured.

What is a Sublimit?

A sublimit is a coverage cap within an insurance policy that is set lower than the overall policy limit. It represents the maximum amount the insurance carrier will pay for a covered loss or damage arising from a specific peril, construction type, or category of property.

What projects must be insured for Builder’s Risk?

All University projects with construction costs of \$300,000 or greater must be insured under the University’s Master Builder’s Risk Insurance Program, as required by the University’s contract documents.

How does a project get enrolled for Builder’s Risk insurance?

An application must be completed by the University’s Project Manager, or their designee, and submitted to Alliant Insurance Services, Inc. no later than ten (10) days prior to the commencement of work at the project site. This application is available on the UCOP website at <https://ehs.ucop.edu/cli/welcome.info>. Once the application is completed it will automatically be submitted to Alliant.

Applications must be submitted in a timely manner to allow sufficient time for underwriting review and approval. Once the project has been approved a Certificate of Insurance will be

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issued to the University Project Team. Additional time may be required to address clarifications regarding construction type, scope of work, construction value, project start date, and other relevant details.

Additional instructions are available at the Risk Services website:

<https://www.ucop.edu/risk-services-insurance/construction/procedures.html>

How do the University and the Contractor receive confirmation of coverage?

Alliant Insurance Services, Inc. will provide written confirmation of Builder’s Risk insurance by emailing a Certificate of Insurance to the campus or medical center Project Manager, or their designee. The Project Manager or designee is responsible for ensuring that the Certificate of Insurance is delivered to the Contractor.

When extensions of Builder’s Risk coverage are requested and approved, Alliant Insurance Services, Inc. will issue an updated confirmation reflecting the extended coverage period.

No coverage will be considered effective until the Project Manager or designee has received the Certificate of Insurance.

What if the project is over the policy limit or the sublimit for Wood Frame construction?

Alliant Insurance Services, Inc. must be notified in advance to obtain prior approval from the insurance carrier before adding projects to the Master Builder’s Risk Program.

1. **Wood frame projects exceeding \$5 million** require prior carrier approval.
2. **Wood frame projects exceeding \$10 million** must be placed on a stand-alone policy, separate from the Master Builder’s Risk Program.

If a stand-alone policy is required, additional time will be needed for Alliant to secure coverage from other carriers. Projects that exceed the Master Policy limit or the wood frame sublimit also require longer lead time. To ensure adequate processing, it is recommended that notification be provided at least sixty (60) days in advance.

If the project entails more than one construction type, what rate should be used?

Rates are determined based on both the type of construction and the type of project. For projects involving multiple construction types, the rate applicable to the predominant construction type will apply if that type represents 80% or more of the total construction

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value. If the predominant type represents less than 80%, a detailed breakdown of construction costs by type must be provided on the Application.

What should be included in the construction cost?

The construction cost reported for Builder's Risk insurance must reflect the Contract Sum for the construction phase. This includes, but is not limited to:

- All labor, fees, and general conditions
- Architectural, engineering, and professional fees
- Materials, equipment, machinery, and supplies that will be incorporated into the completed project
- All equipment to be installed, regardless of whether it is procured under or outside of the construction contract

The project team is responsible for maintaining records to support the construction costs reported.

Should equipment purchased by the University (owner-furnished) be included in the construction cost?

If the University purchases equipment from outside vendors that will be installed prior to final project completion, the value of that equipment must be included in the reported construction cost. This requirement applies even if the general contractor's contract does not cover the installation or cost of certain equipment. University-purchased equipment that is installed during construction is at risk of loss or damage and must therefore be insured under the Builder's Risk policy.

An exception applies when the University purchases equipment that will be installed after final project completion; in such cases, the equipment should not be included in the Builder's Risk coverage.

Are there certain costs that should be removed from the construction cost?

Costs associated with pre-construction services, including design development or contract document preparation, should not be included in the reported construction cost for Builder's Risk insurance.

Similarly, costs for demolition or abatement should be excluded, as property being removed or demolished would not be replaced or repaired in the event of loss or damage during construction.

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What if the cost increases during the course of construction?

Any significant increase in construction cost (defined as **5% or greater**) or a significant change in the scope of work must be reported promptly to Alliant Insurance Services, Inc.

What if the project starts out below the policy limit, but goes over the policy limit during the course of construction?

If a project exceeds the policy limit at any point during construction, regardless of the percentage increase, Alliant must be notified **immediately**. This allows the insurance carrier to be informed and obtain approval for an increase in coverage limits.

How does the premium get paid and billed to the project?

Office of the President Risk Services will pay all invoices and recharge premiums to the projects using the recharge account number provided on the Builder's Risk Application.

How will you know the amount of the deposit premium recharge?

The Builder's Risk application at <https://ehs.ucop.edu/cli/welcome.info> will automatically calculate the Builder's Risk deposit premium based on the projects details entered on the application.

Contact Office of the President Risk Services or Alliant for any questions regarding the deposit premium amount.

How is a premium estimate obtained to budget for Builder's Risk insurance?

A Premium Calculator is available online at <https://ehs.ucop.edu/cli/welcome.info>. Complete the information and the estimated premium for Builder's Risk insurance will be automatically calculated.

How is premium adjusted when a project completes?

The premium for Builder's Risk insurance is determined based on the construction cost and the duration of construction.

- Projects with estimated construction costs of **\$1 million or greater** at the time of enrollment are subject to a final audit upon project completion. Increases in construction cost or project duration may result in an additional premium, while decreases may result in a return premium.

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- Projects with estimated construction costs **under \$1 million** at the time of enrollment are not subject to additional or return premiums for changes in construction cost or project duration. This applies even if the project initially estimates under \$1 million but exceeds that threshold at completion.

When does Builder’s Risk insurance begin?

Builder’s Risk insurance coverage begins on the Notice to Proceed date for the construction phase. Coverage must be requested prior to the commencement of work at the project site. There are some exceptions. For example, Builder’s Risk insurance is not required during periods when only demolition work is occurring.

When can Builder’s Risk insurance be terminated?

Coverage should be continued and not terminate until the date of Final Completion recited in a Notice of Completion (NOC) filed for the construction phase.

Can Builder’s Risk insurance be terminated earlier?

In certain circumstances where the filing of the Notice of Completion (NOC) is delayed and only administrative paperwork remains, Builder’s Risk insurance may be terminated early if all three of the following conditions are met:

1. 100% of the construction work is completed,
2. All contractors and subcontractors have vacated the project site, and
3. No further work is anticipated at the project site, with only paperwork remaining before filing the NOC.

To initiate early termination, contact Alliant for the “Verification to Terminate Builder’s Risk prior to NOC” form. This form must be completed and executed by both the University and the contractor to confirm that the above conditions have been met.

What if the project extends beyond the estimated project completion date?

Projects must be closely monitored as they approach their estimated completion date, as indicated on the most recent Certificate of Insurance issued for the project. If a project is expected to continue beyond that date, the Project Manager or designee must complete and submit a Builder’s Risk Extension Form.

Please note that verbal or email communications regarding a project extension do not constitute an extension of coverage. The completed Extension Form must be submitted to Alliant. The form is available online at <https://ehs.ucop.edu/cli/welcome.info>.

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Alliant provides a monthly listing of active Builder’s Risk projects to each campus or medical center. This listing can be used to monitor estimated project completion dates and determine when an extension request is required.

What needs to be done to terminate coverage when a project is completed?

The Project Manager or designee must complete and submit a Builder’s Risk Termination form. Any verbal or email communication advising of project completion does not constitute termination of coverage. The completed Termination form must be submitted to Alliant and is available on-line at <https://ehs.ucop.edu/cli/welcome.info>.

Who is responsible for the deductibles?

The Contractor is responsible for the “per occurrence” deductibles and this is stipulated in the University contract documents.

Why is the University securing the Builder’s Risk insurance and not the contractor?

The University’s contract documents specify that the University is responsible for providing Builder’s Risk insurance.

Whether coverage is obtained directly by the University or through contractor-provided insurance, the cost of the insurance is borne by the University. When coverage is provided through the contractor, the premium—along with associated fees, profit margin, and potentially independent agent or broker commissions—is included in the contract cost.

There are distinct benefits for the University in securing the insurance directly, which are outlined in the following section.

What are the benefits to the University securing the Builder’s Risk insurance versus the contractor providing it?

Securing Builder’s Risk insurance directly through the University provides several advantages over contractor-provided coverage:

- **Cost savings** through leveraging overall construction volume to reduce premium costs
- **Project-dedicated limits** that apply exclusively to the specific project
- **Uniform and consistent coverage** across all projects
- **Control and continuity** over policy terms and conditions
- **Enhanced and broader coverage** compared to standard contractor policies

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- **Assurance of coverage** for the full project value and entire duration
- **Seamless transfer to the University's Property Insurance program** upon termination of Builder's Risk, avoiding any lapse in coverage
- **Control over claims management**

What happens when a loss occurs? How is a claim reported?

Instructions for what to do in event of a loss and a Loss Notice form are available at the Risk Services website:

<https://www.ucop.edu/risk-services-insurance/construction/procedures.html>