



INSURANCE
SPECIALTY
GROUP

Builder's Risk Insurance Protection

The Modified Blanket Approach

Builder's Risk insurance is typically offered in either a "reporting" or "standard blanket" coverage format. Reporting formats often require tedious monthly reporting. If reporting is done incorrectly, it can result in uncovered losses. Both reporting and standard blanket coverage formats typically require the insured to pay premium based on "annual" rates, even if a structure is built and sold in less than one year. This can increase applicable builders risk premiums and reduce a builder's profit made at every closing. When Builder's Risk is purchased directly by a homeowner, "single-shot" policies are often used, and expensive minimum premium levels of \$350 to \$1,000 apply. In addition, the builder's interest in building materials for the structure may not be adequately covered when a homeowner purchases a "single-shot" policy.

ISG is proud to offer our **Modified Blanket Builder's Risk Program**, which eliminates both of these concerns. This program provides **significant premium savings, eliminates reporting for insureds and eliminates potential uncovered claims** due to late or non-reporting. Our rates are applied on a pro-rata basis and premium is paid only for the period of time (in months) that each structure is covered by the insurance policy. Our low minimum premium requirements reduce the risk of over-estimating exposure values at the beginning of the policy period.

Here is an example of the premium savings available to ISG clients:

Let's say a builder constructs and sells 20 homes during the policy period and takes 6 months to build and sell each home. The builder obtains quotes from two insurance companies who both charge an annual rate of \$0.16 (per \$100 of insured value) and both provide blanket protection for any homes started during the policy period.

Traditional approach

- Annual Rate of \$0.160 per \$100 in insured values
- 20 Homes X Average Insured Value of \$250,000 = \$5,000,000 in total insured value
- Premium Due = $(\$5,000,000 / 100) \times$ Annual Rate of \$0.160 = **\$8,000**

ISG approach

- Annual Rate of \$0.160 per \$100 of insured values
- 6-Month Pro Rated Rate* = \$0.080 $(0.160 / 12 \times 6)$
- 20 Homes X Average Insured Value of \$250,000 = \$5,000,000 in total insured value
- Premium Due = $(\$5,000,000 / 100) \times$ Pro-Rata Rate of \$0.080 = **\$4,000**

Contact your ISG agent today to obtain a Modified Blanket Builder's Risk quote and see how much premium savings goes into your pocket!

** Minimum deposit of 6-month pro-rated rate required at binding*