

Transactional Insurance Considerations Checklist

July 1, 2009

A checklist for both insureds and carriers when it comes to partially completed properties and lots.

Note: this is to be used as an informational guide for insurance placement only and may not take all concerns into consideration for purchasing distressed homebuilding projects. We always recommend clients consult with qualified experienced legal counsel prior to any transaction.

Takeover Projects with Partially Completed Homes/Units

Insurance coverages to consider:

-- Property coverage to protect against damage to existing units or improvements needs to encompass replacement cost for units along with model contents and landscaping if applicable. Usually a "vacant building" type of program/placement. As build-out starts on balance of project, builders' risk/course of construction coverage should be placed and possibly include completed units awaiting sale.

-- General liability policy that will cover premises liability while awaiting build-out and then continue through construction phase with at least 10 years extended products-completed operations coverage with no prior work exclusions. Try to obtain "applicable law" wording instead of the 10-year limitation.

Carrier/underwriting concerns:

Liability and property insurance

-- Is there a Property Condition report that will detail the following:

1. How many homes exist and what phase of construction is each unit at?
2. Hard and soft costs at replacement values of work done of the units/property that is currently standing/exposed.
3. How many homes are planned and what are estimated future hard & soft costs for improvements planned?
4. What are estimated future gross revenues for sales planned?
5. What percentage of completion is each unit in?
6. Are any of the standing units pending sale currently? If so, what are estimated sales?

7. What security measures are in place such as security service, fencing, lighting, alarm systems? (For instance, what is preventing copper wire or appliance theft from happening)

-- Are there third-party, peer-review reports available for work done to date?

-- Are soils and compaction reports available?

-- Who was prior general contractor?

1. What liability insurance did they have for this project--can you get a copy of the certificate or policy?

2. Who were the subcontractors and did they provide they own coverage or were part of a project wrap up or GC's master rolling wrap up program for all GC's projects? Can you get copies of certificates they provided? Can you be added as an additional insured to those policies?

-- Have there been any prior home sales in this tract from this builder that needs to be excluded from your future insurance programs?

-- Future placement will need to insure all common areas of the project. Where there any pools, community recreations centers or parks that have not been turned over to HOA or the city that need to be insured?

Steps to take if some or all of the above information is not available:

-- Hire independent firm to do a physical property condition inspection--nonforensic or forensic

Special Note: Legal counsel needs to be involved with sale documents to ensure proper disclosure of what work was done by new builder versus old builder, which is similar to condo conversion project sales. We understand from counsel that the builder that puts the final product into the stream of commerce under his brand has ultimate statutory responsibility for warranty of that home for 10+ years.

Land Purchase Only--Both Improved and Unimproved Lots

Coverage's to consider:

-- Premises only liability coverage to protect against bodily injury from a third party or even trespasser. This should be maintained until construction starts. Pay attention to all exclusions. If land is outskirts and not fenced you do not want exclusion for ATVs, etc.

-- Property coverage if you are purchasing streets, curb, sidewalks, utilities, roads and other infrastructure above and below grade that has not been accepted by the city.

Underwriter Concerns:

-- Where land is located (infill tract or county outskirts)? What protection measures are being taken to prevent trespassing

-- If land has been graded, was there insurance in place for the grading contractor and can new buyer be added to their policy for the work that was completed? If not, can new buyer obtain a copy of the certificate of insurance showing the insurance that was in place when the work was done?

-- Are there third-party, peer-review reports available for any work that was done?

-- Are soils reports and/or compaction reports available future construction consideration?

Source: **DLD Insurance Co.**, Irvine, Calif

RISK & INSURANCE

- [Contact Us](#)
- | [Subscribe](#)
- | [Advertise](#)

- [National Workers' Compensation and Disability Conference and Expo](#)