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# DESANCTIS INSURANCE AGENCY, INC.

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Phone: (781) 935-8480  
Fax: (781) 933-5645

36 Cummings Park  
Woburn, Massachusetts 01801

To Our Valued Clients:

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## Builders Risk Policies Don't Cancel Too Early

If your job is substantially complete, please do not cancel or nonrenew your Builders Risk Policy without first reading your contract.

Often, the typical contract will say, "unless otherwise agreed to in writing" the Builders Risk policy is to "be maintained in effect until final payment is made....", not substantial completion. Under those terms, if you were to cancel your Builders Risk coverage before final payment, your responsibility to insure the work & to replace any damaged portions of the project, or possibly the entire project, would continue, and you would be totally uninsured.

The agreement in writing that would allow you to terminate coverage before final payment is generally by way of a Certificate of Substantial Completion. A typical contract reads, when the work is substantially complete the Architect will prepare a Certificate of Substantial Completion that "shall establish responsibilities of the Owner and Contractor for security, maintenance, heat, utilities, damage to the Work and insurance...." That Certificate of Substantial Completion should clearly indicate that the responsibilities have been amended to require the owner to insure the work as of the date of substantial completion. Absent that, you would still be responsible and should keep coverage in force.

Be sure that the Architect promptly prepares the properly worded Certificate of Substantial Completion. Any delay in providing the Certificate that properly transfers the insurance responsibility to the owner, will reduce the amount of return premium due the contractor for the cancellation. If there was a loss before the Certificate of Substantial Completion was written & provided in proper format the Contractor would have been responsible for the loss and the Builders Risk carrier would have had to pay. For that reason the carrier will not backdate cancellation requests. The date they will use for the cancellation will be the date you actually provide the Certificate and ask for cancellation, not the date of Substantial Completion contained in the Certificate, if earlier.

Since this discussion involves legal as well as insurance consequences, please be sure to review this material with your attorney for their input as well.

Please call with any questions.

Very truly yours,

DeSanctis Insurance Agency, Inc.