A Contractors Guide to MBR (Master Builder's Risk) Insurance

One Policy Framework, Every Project:
Understanding MBR Insurance

For contractors with ongoing construction activity, insurance can be one of the more variable and unpredictable project costs. A master builder's risk program helps address that variability. By consolidating coverage across multiple projects under a single framework, contractors can improve cost predictability, reduce duplication and take a more proactive approach to risk.

What Is a Master Builder's Risk Insurance Program?

A master builder's risk insurance program is an umbrella-style arrangement that provides continuous, project-by-project coverage for contractors with ongoing construction or renovation activity. Instead of purchasing a separate policy for each project, a single master policy is established, and projects are enrolled as they begin.

Once in place, new projects are reported into the program and receive consistent coverage without the need to renegotiate terms each time.

Builder's risk insurance (also referred to as course of construction coverage) protects against physical loss or damage to a structure during construction, renovation or remodeling. This typically includes the building, materials (on site, in transit or in storage) and certain temporary structures. A master program extends this protection across an entire portfolio.

Why Consider a Master Builder's Risk Program?

A master program may be appropriate for contractors that:

1. Manage multiple projects simultaneously or in close succession
2. Have a predictable pipeline of construction activity
3. Seek consistency across projects rather than relying on individual contractors or project teams to secure coverage

While not typically required by law, several factors make builder's risk coverage essential in practice:

1. **Lender requirements:** Most lenders require builder's risk insurance as a condition of financing
2. **Contractual obligations:** Construction contracts often assign responsibility for coverage
3. **Risk management considerations:** Uninsured construction exposures can be financially significant

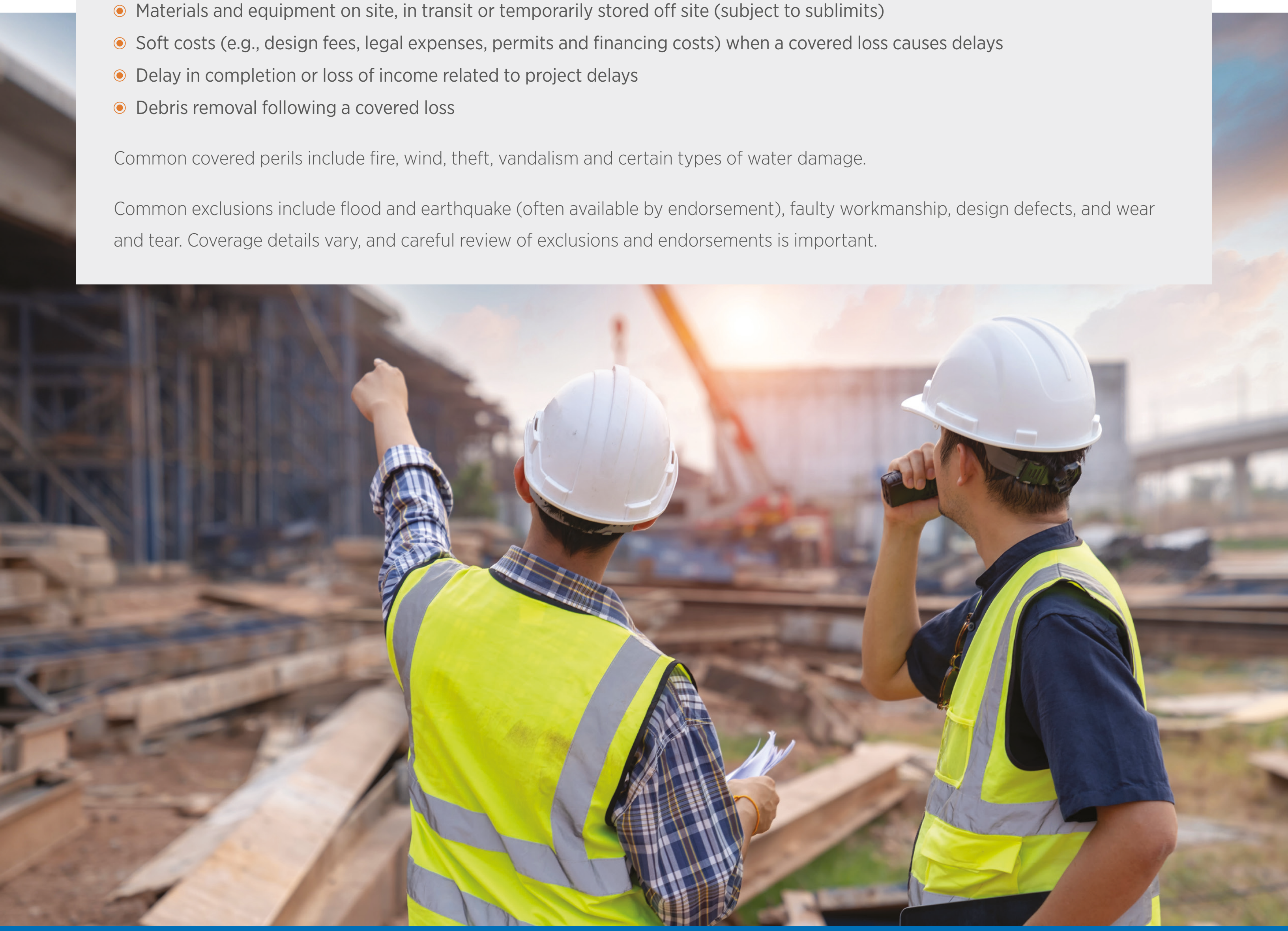
What does it cover?

Coverage under a master builder's risk program generally includes:

- The structure under construction, including installed materials and fixtures
- Materials and equipment on site, in transit or temporarily stored off site (subject to sublimits)
- Soft costs (e.g., design fees, legal expenses, permits and financing costs) when a covered loss causes delays
- Delay in completion or loss of income related to project delays
- Debris removal following a covered loss

Common covered perils include fire, wind, theft, vandalism and certain types of water damage.

Common exclusions include flood and earthquake (often available by endorsement), faulty workmanship, design defects, and wear and tear. Coverage details vary, and careful review of exclusions and endorsements is important.



Who Provides Master Builder's Risk Insurance?

One of the most important and often misunderstood decisions in any construction project is who is responsible for securing builder's risk insurance: the contractor or the project owner?

The answer depends on how the construction contract is written, but the two most common arrangements are:

1

Owner-controlled programs

The project owner (developer, corporation, municipality, etc.) purchases and maintains the builder's risk policy. This gives the owner direct control over coverage terms, limits, and claims and is the foundation of a master program approach.

2

Contractor-controlled programs

The general contractor (or subcontractor) secures the policy and is named as the primary insured. This is common on smaller or one-off projects but can create inconsistency when an owner has multiple projects with different contractors.

For contractors managing multiple projects, owner-controlled coverage under a master program is generally the preferred approach because it eliminates reliance on contractors to secure adequate coverage, ensures uniform protection across the portfolio and keeps the owner in control of the claims process.

How Is a Master Program Implemented?

Implementation typically includes the following steps:

1 Assess your project portfolio

Begin by analyzing your organization's construction activity: How many projects per year? What are typical project values and durations? What types of construction (new build, renovation, tenant improvement)? What geographic footprint? This information drives the structure of the program.

2 Engage a specialized broker

Work with a broker experienced in construction and program structures to help design, market and negotiate coverage.

3 Establish policy terms

Key considerations include:

- **Coverage triggers:** How and when projects are reported or automatically enrolled
- **Per-project limits:** The maximum covered value for any single project
- **Aggregate limits:** The total coverage available across all projects in a policy period
- **Deductibles:** Per-occurrence deductibles, which may vary by peril
- **Reporting requirements:** The timeline and process for notifying the insurer of new projects
- **Soft costs and delay coverage:** Sublimits and terms for these important coverages

4 Define reporting and administration procedures

A master program requires ongoing administration. Projects must be reported to the insurer (often monthly) as they begin, and completed projects must be removed from the active schedule. Premium is typically adjusted periodically based on actual reported values — a process called "audit."

5 Align stakeholders

Ensure that general contractors, subcontractors, lenders, and project owners understand the program and how it applies to their projects. Provide certificates of insurance and additional insured endorsements as required by contracts.

6 Review and renew annually

Construction costs, project volumes and risk profiles change. The program should be reviewed at least annually to ensure limits remain adequate and terms remain competitive.

What Are the Benefits?

Compared to placing individual project policies, a master program offers significant advantages:

1 Consistency of coverage

Every project is covered under the same terms, conditions and limits, eliminating gaps that can occur when different parties on a project carry their own, potentially conflicting, policies.

2 Cost efficiency

Bundling multiple projects under one program typically generates premium savings compared to placing policies project by project. Insurers reward volume and long-term relationships with more favorable rates.

3 Administrative simplicity

Instead of negotiating, binding and managing dozens of individual policies, your team manages one master program. This frees up time and reduces the risk of a project being inadvertently left without coverage.

4 Speed to bind coverage

With a master program in place, new projects can often be enrolled automatically or with minimal documentation, which is critical in fast-moving development environments where construction may begin quickly after a project is approved.

5 Stronger negotiating position

An organization with a predictable annual portfolio of projects is a more attractive client to insurers than one seeking sporadic, one-off coverage. This translates into better terms, broader coverage and more responsive claims handling.

6 Improved claims management

When all projects are covered under one program with one insurer (or a consistent panel of insurers), claims are handled by a team that understands your organization's operations and priorities. This often results in faster, more equitable claims resolution.

7 Enhanced risk management oversight

A master program gives leadership a consolidated view of construction insurance across the entire portfolio, supporting better risk management, budgeting, and compliance with lender and contract requirements.

How To Think About a Master Builder’s Risk Program

A master builder’s risk insurance program can help contractors bring greater structure and consistency to construction risk management. By moving from a project-by-project approach to a centralized framework, contractors are better positioned to manage cost, streamline administration and maintain appropriate coverage across their portfolio.

As with any program structure, effectiveness depends on thoughtful design, clear processes, and ongoing coordination between internal stakeholders, brokers and carriers.

Our construction specialists can help you design a program aligned to your project pipeline and risk profile. Contact us to start the conversation.