

A Construction Coverage Gap

The world of contractors and construction is filled with rules meant to establish standards for building materials, site preparation, construction methods, etc. Most such rules are created on the level of local government and are typically called ordinances. Each area's ordinances reflect specific concerns, particularly natural hazards that regularly endanger property such as windstorms, earthquakes, floods and.....fire.

Wildfires are a large problem in California. During a serious wildfire season several years ago, many of the homes damaged or destroyed in California were built near forested areas that were in the midst of droughts. The likelihood of fires was high and, being in remote areas, convenient fire protection was non-existent. In order to compensate for this extreme exposure to loss, local laws often require special construction features such as on-site water supply, pumping equipment, fire-retardant roofing, and fire-resistive construction materials.

Many homeowners enjoy the benefit of "grand fathering." That refers to any exemption given to a person from having to comply with a new law. However, such exemptions disappear under certain circumstances such as significant remodeling or when a certain percentage of a building is damaged. Therefore, property owners who face the prospect of re-building their homes also face full compliance with current building laws. Without special endorsements, it's unlikely that their insurance policies will provide significant Ordinance or Law Coverage. These property owners could be responsible for thousands, perhaps even tens of thousands in uncovered costs.

If you have an older home or live in an area that has special laws for rebuilding, it would be worth your time to consider adding protection against any extra costs caused by local ordinances. Your insurance professional is the person to know.

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