



Undisclosed Home Renovations Can Cause Problems



AIG Underwriters have seen an uptick in "undisclosed COCs" which means that when the new business inspection comes in, the home is in some state of renovation. This situation can get really sticky for all involved. If it's something major, AIG will need to obtain a [course of construction questionnaire](#), there will be requirements for alarms, etc., premium will go up (potentially significantly), all of which may not sit well with the customer. If this information can't be obtained quickly AIG may not be able to maintain coverage of the risk.

AIG classifies renovations into two types:

A **minor renovation** must meet all of the following:

- Any project where the client remains a resident of the property
- The resulting increase in dwelling value does not exceed 10% of the coverage A amount or \$1,000,000 total, whichever is less for home
- The resulting increase in the additions and alterations value does not exceed 10% of the coverage C amount or \$1,000,000 total, whichever is less
- Duration of the project is less than one year

A **major renovation** is defined as:

- Any project that requires the insured to move out of the residence for longer than 48 hours
- Any project where the resulting increase in dwelling value exceeds 10% of the Coverage A amount or \$1,000,000 total, whichever is less
- "Ground-up" is any project requiring a foundation to be laid to begin construction
- "Tear down" is when an existing home is purchased with the intent to "tear it down" in order to rebuild at the same site

Insureds are not always forthcoming with information but the other concern is that the AIG policy contains special language that may invoke a large deductible in the event of claim when renovations are found to be going on at the time of the loss and AIG has not been notified. AIG could possibly apply a 15% deductible at the time of a loss.

Many times the builders risk policy is running out and can't be extended. If they are down to punch list type items, AIG can have a Risk Management Specialist talk to the builder and AIG may be able to help.

AIG has a new program for ground up construction valued at \$5m or greater called [Smart Build](#). AIG will consult from the beginning of the project to enhance safety and mitigate loss potential.

AIG will write these as an accommodation for current clients but generally not for new business. So please let us know up front before binding if you know this is going on so we can talk it through with you. There is a place on the bind request form to indicate that you have verified no renovations going on, so you can use that as a reminder to double check.

The product and eligibility may have been revised or discontinued since the original article was written. Review the Information page for each product on Big "I" Markets for current content and instructions.



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AIG's **Private Client Group** homeowner coverage is available for dwelling replacement cost coverage valued at \$500k or more in most states. Included and/or available are:

- Guaranteed replacement cost - included
- Back-up of sewers and drains - included; up to dwelling value
- Business property - up to \$25,000
- Deductible options - up to \$100,000 available
- Primary flood - available
- Equipment breakdown - available
- Identity fraud restoration expenses, ATM robbery, and financial fraud, embezzlement or forgery - available
- Traumatic threat or event recovery - available
- Green rebuilding expenses - available
- Waiver of deductible on losses over \$50,000 - available
- Replacement cost cash out option - included
- Lock replacement - included; no deductible
- Food spoilage - included
- Loss prevention devices following a claim - included; up to \$2,500 available

AIG's Private Client Program is available to registered members in all states. Check out www.bigmarkets.com and click on **Affluent Program - New Business** to learn more!