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CASE SUMMARY: THE LIMITATIONS OF A BUILDER’S RISK POLICY

The builder’s risk policy only covered damage to property which was under construction, not the resulting damage to other property on the premises.

Insurance law – Commercial general liability insurance – Builder’s risk policy – Exclusions – Interpretation of policy – Practice – Summary judgments

Pre-Eng Contracting Ltd. v. Intact Insurance Co., [2019] O.J. No 1812, 2019 ONSC 1700, Ontario Superior Court of Justice, April 10, 2019, P. Bawden J.

The insured’s builder’s risk insurer and commercial general liability insurer disputed as to which policy covered the damage caused by the builder’s negligent work on a roof which caused damage to the floor below. The commercial general liability policy excluded coverage for losses covered by the builder’s risk policy. The object of builder’s risk insurance is to ensure that the builder has sufficient insurance to complete his work in the event of an unforeseen failure. It would not be commercially viable to impose an obligation on a contractor to obtain builder’s risk insurance to cover an entire building. The policy wording limited coverage to “property under construction, installation, renovation, reconstruction or repair”. This language was sufficiently clear to exclude the damaged floor from coverage under the builder’s risk policy as it was not being installed, renovated, or reconstructed. The loss was covered by the commercial general liability policy.

This case was digested by [Dionne H. Liu](#), and first published in the LexisNexis® Harper Grey Insurance Law Netletter and the Harper Grey Insurance Law Newsletter. If you would like to discuss this case further, please contact Dionne H. Liu at dliu@harpergrey.com.