

CONSTRUCTION INDUSTRY GUIDE

# Contractor's Survival Guide in a Hard U.S. Insurance Market

Three ways to manage rising insurance costs



# Insurance Premiums are on the Rise

The cost of insuring your construction firm continues to increase. For contractors, a hard insurance market is driving costly renewals, particularly in the following lines of insurance:

- Construction auto rates are rising due to losses stemming from less experienced drivers, increased litigation, and large plaintiff awards.
- Liability rates are increasing in the face of changing construction defect and labor laws, as well as onerous contract language.
- Builder's risk, particularly for large frame projects, is becoming increasingly difficult to place with insurance carriers due to an uptick in catastrophic fires and floods and subsequent losses in recent years.

With the frequency and severity of losses increasing, most insurance companies are becoming very selective when underwriting both new and renewal business.

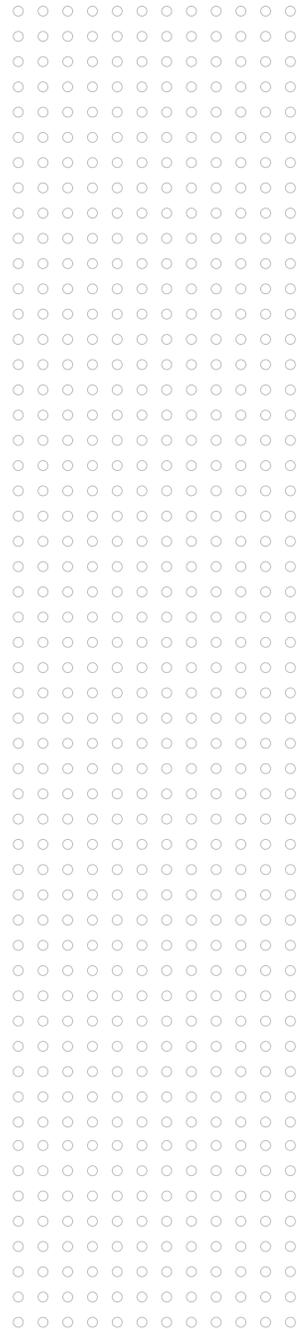
COVID-19 further complicates an already hard insurance market for construction firms. New project delays due to budget reductions as well as the liability presented by the spread of COVID-19 among construction workers in close proximity have increased risk during the pandemic.

Contractors can minimize their risk by strategizing with a HUB construction insurance specialist well ahead of their next policy renewal. Improving safety programs, taking care of workers, and partnering with the right insurance broker will go a long way towards reducing future insurance costs.

## What is a Hard Insurance Market?

“It is the upswing in a market cycle, when premiums increase and capacity for most types of insurance decreases.”

— *Business Insurance*





## SAFETY FIRST: MANAGE YOUR RISK

Poor loss experience can have serious long-term consequences for your business — making it harder for you to prequalify for bids and negatively impacting your reputation — but also driving up your insurance premiums.

There are, however, ways in which you can influence your loss experience. So where do you start?

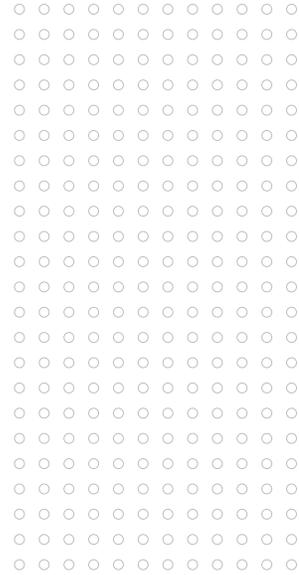
**STEP 1: Create a culture of safety.** Making safety central to your culture helps reduce injuries, which reduces workers' compensation claims. Make sure all employees know worksite safety rules and procedures. Let site managers know that safety is more important than daily production schedules.

This includes providing COVID-19 awareness training and methods to increase hygiene levels both in the office and at the work site. Construction firms will want to schedule fewer crews on a project and stagger trades and deliveries to avoid two crews working in the same space simultaneously to enhance safety during the pandemic.

**STEP 2: Establish a Well-Employee Only Policy and a Return-to-Work (RTW) program.** Develop a policy that does not penalize sick employees for not coming to work, thereby encouraging those who are ill to stay home. Make it a policy to send sick employees home who show signs of acute respiratory illness. Follow Center for Disease Control (CDC) and Occupational Safety and Health Administration (OSHA) work policies on COVID-19.

Return-to-work programs help employees get back to work more quickly after an injury or illness. This reduces costs connected with long absences and can limit medical claims, which in turn decreases the impact on your loss experience.

A RTW program can also help improve employee morale and worker retention. Consider offering RTW options such as charitable volunteer work in addition to light worksite duties.



### Resources from HUB Risk Services

- Safety Program Developments & Training
- OSHA 10- and 30-Hour Courses
- Driver Safety Training
- EMR Analysis and Trend Reversal Planning
- Pre-Hire Screen Processes (Drug testing)

**STEP 3: Close claims as quickly as possible.** Claims that take many months or even years to resolve can affect your loss experience for years to come. Report all claims promptly, no matter how small. Have a claims management specialist act for you to ensure quick resolution and the best possible outcome for everyone concerned. Proactively include your claims management specialist in annual reviews of your insurance program and take the opportunity to develop strategies for closing potential claims quickly.

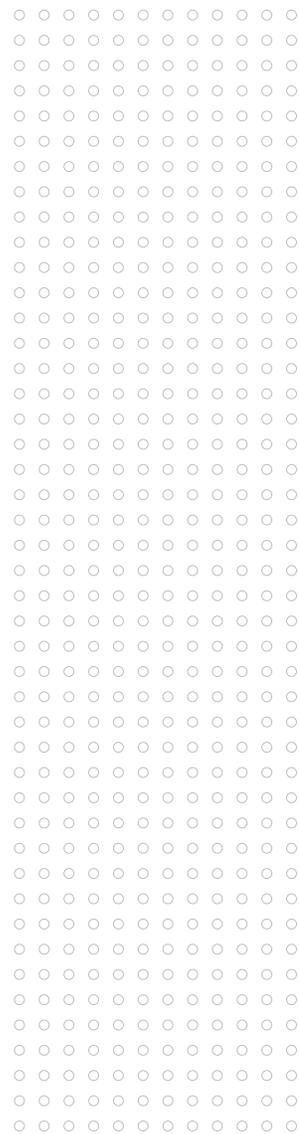
**STEP 4: Consider retaining more risk.** Consider asking for a higher deductible that allows you to pay smaller, more common claims out of pocket. This approach can have a very real impact on your losses, since the frequency of claims counts more toward your experience rating than their severity.

An experienced broker can advise you on whether this option is available to you, and how much it can help your company; both depend on your insurer and on state regulations.

**STEP 5: Verify your EMR numbers.** Your EMR (or Experience Modifier Rate) is calculated based on the numbers that your insurer reports, and can influence your insurance premiums, so be sure they have the right numbers. Mistakes in loss and payroll data, schedules, and classification — even simple clerical errors — can all skew your EMR.

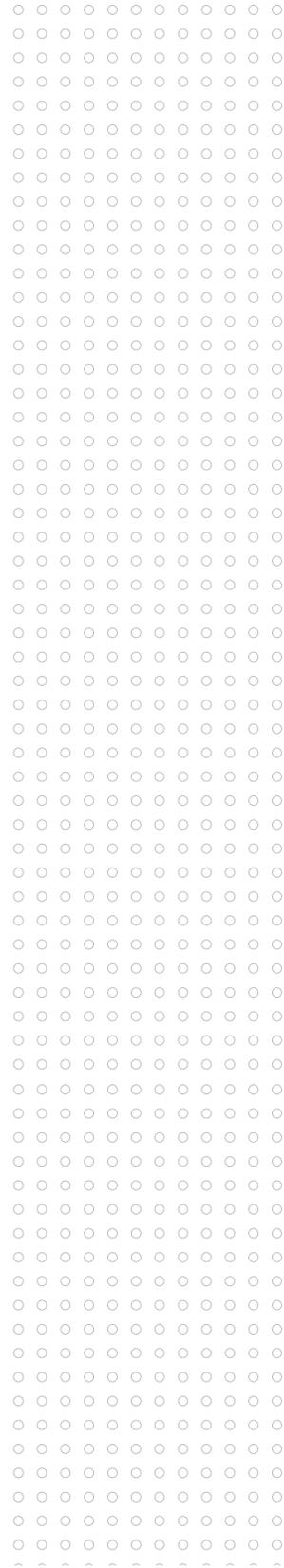
### **Be proud of what you're doing right — and talk about it**

Although a lot of contractors struggle to implement effective safety programs, those that do cannot imagine any other way of conducting their business. If your business is utilizing best practices, let the insurance carrier know what you have done to improve safety practices so that they can factor that into your pricing. Good examples of best practices include: robust risk management programs, substance abuse programs, site specific “toolbox” safety talks, and site safety committees.





## TAKE CARE OF YOUR PEOPLE



Nearly every aspect of construction is struggling with labor issues, with no relief in sight. Filling the gap with less-experienced workers is one strategy that can often backfire, given that they are slower and make more mistakes, ultimately costing more in wages, materials, and claims. Consider implementing these best practices to nurture and retain your best workers:

**Revisit your drug use policies** This is especially applicable in regions where marijuana use is legal. “Fit for duty,” for example, can apply less to a worker’s off-the-job indulgences and more about showing up to the job site without being under the influence.

**Protect your workers from the substance abuse and suicide epidemics.** Construction is known to be rife with behavioral risk factors stemming from a taxing and dangerous work environment. The construction industry is enduring an all too prevalent opioid and substance abuse epidemic, and its suicide rates are among the highest in any industry. Employer sponsored programs offering services to help employees deal with various personal issues — like Employee Assistance Programs (EAPs) — can help, but unfortunately, they tend to be underutilized in the construction industry. Furthermore, EAPs are estimated to return a \$3 savings for every \$1 invested.<sup>1</sup>

**Build a strong culture (of safety).** This bears repeating. Creating a culture of safety across an organization is one of the most important things a company can do to safeguard employees. When it comes to COVID-19 precautions, evaluate ways for employees to avoid sharing tools, extensions cords, carts and other common items. Develop a handwashing/sanitizing schedule for workers upon entry to a project or the office, before and after all breaks, before ingesting food or drink and after touching common surfaces. Provide proper PPE to all employees, including masks, gloves, hand sanitizing stations in high traffic areas and on project sites as well as any other construction-specific safety materials.

Employees should not only feel safe in their worksites, but also empowered to raise concerns when they don’t.

**Focus on health and wellness.** A great way to keep your workers from exploring the job market is investing in the benefits you offer them. Health and wellness programs can be a win for both you and your workers, helping to improve their lives while making them more likely to stay with you. Some examples are nutrition programs, fitness classes, mental health programs, and paid time off for doctor visits.

<sup>1</sup> <https://constructionexec.com/article/educate-employees-about-employee-assistance-programs-to-address-behavioral-health>



# PARTNER WITH A BROKER WHO KNOWS YOUR BUSINESS

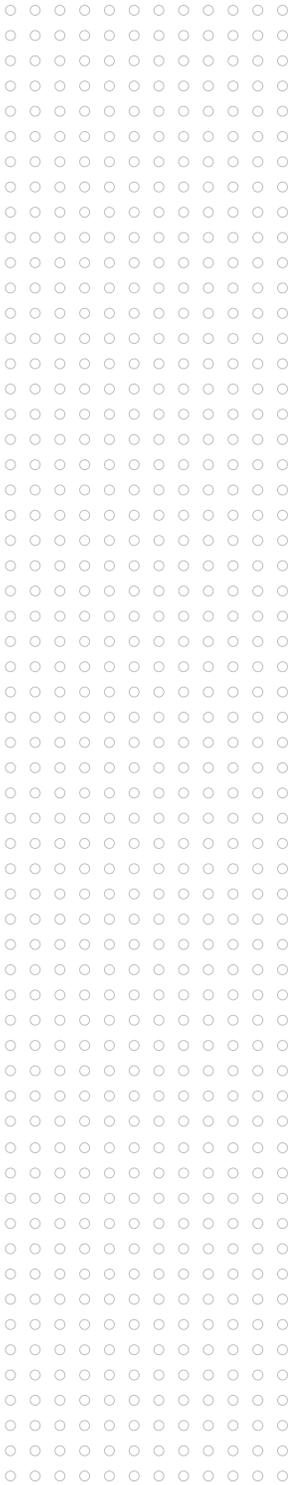
You don't have time to become an insurance expert and monitor the market's ups and downs. That's why you need a good insurance broker. He or she should be a construction industry specialist, helping you plan for renewals and advocating for you with insurance companies. Here are some recommendations from HUB on how to choose and work with an insurance broker:

**Meet with your broker regularly.** Begin planning for your next renewal at least 120 days in advance. Check in with your broker regularly to review your losses throughout the year, especially in the four months leading up to your renewal. Understanding your losses will allow you and your broker to better negotiate the renewal.

**Build a relationship with your insurance carrier.** A good insurance broker serves as an intermediary fostering long-term relationships between clients and insurance companies. The better they know you, the less likely they are to overreact to negative news. If you try to change insurance carriers every year for short-term savings, it could negatively affect pricing and disrupt successful risk control and claims management programs for the long-term. Develop a strategy with your broker to determine the best time and frequency to test insurance markets.

**Assume more of your own risk.** Consider shouldering more of your own risk and taking it off the insurance company. Increasing your deductible is one way to reduce your premium.

**Know your numbers and tell your story.** Because insurance underwriters eventually learn about your losses and safety performance, take a proactive approach and be upfront about your overall risk strengths and weaknesses. Let them know what you're doing to prevent future losses. Make sure you are familiar with your large losses (\$50,000+) and loss trends so you can demonstrate to the carrier that you understand the root cause. For example, if you recently had an influx of employee injuries (Workers' Compensation claims), be prepared to talk about what you're doing to prevent them in the future.



**Manage your losses.** Manage the claims process for all lines of insurance and any size claim. Report all claims in a timely manner and keep good documentation. Work with the insurance company and your broker to achieve best case outcomes. The goal is to ensure that your claims are resolved as quickly as possible and at the lowest possible cost to you.

**Be transparent with your broker.** Let your broker know what changes you've made to the business throughout the year, so there are no surprises at renewal time. Share both good news and bad. Did you add or amend the services you provide, or change the types of projects you're working on? Did you have any critical violations, such as substance abuse or accidents? Be forthcoming about these challenges and what caused them. When there's uncertainty during the underwriting process, your costs will go up. Consistent communication throughout the year will demonstrate your commitment to improvement.

“HUB is more than just an insurance broker; they're a resource. They've brought solutions to me on more than safety. HUB has been a great partner... I feel like HUB has my back.”

**Brian Garcea, RG Construction**

For more information on how you can keep your policy costs down and manage your construction risks, **contact a HUB construction insurance specialist.**

## Case Study



### CHALLENGE

A commercial wall and ceiling contractor needed help understanding and complying with new OSHA silica regulations.



### SOLUTION

They partnered with HUB, who has extensive experience in regulatory compliance to help. Their level of exposure to silica was assessed. HUB provided resources and guidance to the contractor and worked with them to communicate to clients of what was being done to be safe and in compliance.



### RESULTS

HUB not only ensured safety and compliance, but also elevated the company's credibility with its clients, putting them ahead of the competition.



## CHECKLIST

# Choosing the Right Insurance Broker

You want to get advice from people who understand your business and know your industry. Before choosing your insurance broker, be sure to ask these important questions.

- How long have you been involved in the construction industry?**  
You don't want to be the first. Your business is risky enough.

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- What percentage of your book are clients like me?**  
You want to confirm that your broker spends the majority of his or her time in your industry and understands emerging trends and issues that could impact your business.

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- How many insurance carriers can you bring to the table?**  
Not all brokers have access to specialty insurance companies who serve the construction market. It's important to align with a brokerage firm that is in good standing with carriers and has the best chance of securing optimal coverage and pricing for your business.

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- What expertise and services do you offer?**  
Your broker should introduce you to certified risk managers who know your industry and help you address worksite safety issues, improve your operations, and advise you on technology solutions that are appropriate to your business.

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- Can you review contracts and advise on risk exposures?**  
Experienced brokers will review your insurance clauses in all contracts and advise you on changes you should make – at no additional charge. They should direct you to attorneys who know your business and can review your business contracts for liability exposures.

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- What experience does your staff have when it comes to claims?**  
When you file a claim, both your broker and your account management team should be committed to advocating on your behalf with the insurance carrier.

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- What other services or expertise can you offer?**  
Ask if your broker can introduce you to their counterparts in employee benefits consulting. There are so many new ways to support your workforce – a specialist can advise you on which benefits would make sense for your workers.

If you are planning to conduct cross-border business (US and Canada), you'll need an insurance broker who is structured to handle your needs in a seamless manner and avoid gaps in coverage. Working with a single brokerage firm with knowledge and experience on both sides of the border reduces your risk.

# Strategic support that puts you in control

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. With HUB, you have peace of mind that what matters most to you will be protected — through unrelenting advocacy and tailored solutions that put you in control.

For more information on how to manage your insurance costs, reduce your risk and take care of your drivers, contact a HUB construction insurance specialist.

[hubinternational.com/construction](https://hubinternational.com/construction)

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