

RISING BUILDER'S RISK PREMIUMS

MORE CONTRACTORS INCREASE THEIR DEDUCTIBLES

AS BUILDER'S risk insurance premiums rise, contractors are taking on more of the risk by increasing their deductibles, according to a new report.

Some contractors are willing to take on more of the risk if they have strong internal risk management protocols. However, increasing a deductible comes with risk, particularly if you end up having multiple claims.

What's driving higher rates?

- Claims costs are skyrocketing as the cost of rebuilding and materials has continued rising.
- Increasing litigation.
- Larger and larger liability lawsuit settlements and jury awards, and an increase in "nuclear" verdicts of \$10 million or more.

Michael Cusack, executive vice president of insurance broker Alliant Specialty, told *Insurance Business* magazine that some contractors are willing to take on more of the risk if they have strong internal risk management protocols.

"Contractors are taking on more deductible risk and manage that risk effectively using in-house protocols, and the ones that can do that will be the most successful," Cusack told the trade publication.

Considerations

Builders risk insurance typically covers buildings and structures under construction along with the materials, supplies, and equipment. It will also cover "soft costs" indirectly related with a delay in building being completed, such as lost sales, additional interest on loans and other costs.

Raising your deductible amounts saves money on your premium payments. The extra money can help you grow your business, invest in new equipment, and even increase your available cash flow.

But the best use of the extra cash is to create a contingency fund that you can draw on in case you incur a claim.

If you are comfortable assuming some additional risk, and have resources you can draw on if needed, talk to us about the possibility of raising your deductible.

If the savings are enough to cover the deductibles on one or two claims, it may be worth making the change.

To make taking on more risk financially viable, prioritize risk management and safety at your worksites.

By conducting regular safety training, providing personal protective equipment and strictly enforcing safe work practices, you can reduce the risk of on-site accidents. One other major risk to contractors is theft and vandalism.

Protecting against theft, vandals

There are cost-effective solutions to increase site security and reduce risks, such as:

- Online cameras and smart sensors on the job site can enable continuous monitoring for unauthorized access, unlawful activities, CO2 levels and real-time water leak detection systems like WINT's water intelligence platform.
- Adequate lighting is much cheaper to procure, and built-in motion sensors can help save energy (while deterring potential trespassers to the site).
- GPS tracking tags on vehicles, equipment and even valuable materials can make it easier to recover them if they are stolen.
- Mobile applications for your workforce management can be helpful in creating ongoing, interactive safety training and risk-reporting programs to reduce the risks of human error and negligence.

Talk to us first

Builder's risk premium calculations can be complex, and taking the step to increase your deductible has to be done with forethought and care.

Call us to review your policies before renewal and we can do a deep dive into your policy and risk management practices to see if increasing your deductible is a good move for you. ❖

