

Blueprint for Success

Providing Insight to Construction Contractors

How do you compare commercial insurance coverage?

Look for a specialist who understands the construction industry

By Mark Levinson

Comprehensive commercial insurance is critical to protecting your business. But how do you evaluate the effectiveness of your coverage? Here are some questions to ask:

Do your insurance provider and agent have in-depth experience with the construction industry? Many insurance providers have tightened underwriting standards on construction contractors due to claims experiences over the past few years. Seek out a knowledgeable agent who has experience in working with construction firms. This can provide an edge in finding the coverage you need at a price you can afford. An experienced agent who has specialized in working with contractors will have access to carriers who specialize in this type of coverage.

Is your agent performing an in-depth review of changes that could impact your coverage? Effective insurance planning starts with a careful review of your current exposures. If you are considering changing agents or insurance providers, you should be asked to provide a copy of your current policy. It is also important during any review that the agent asks about:

- Changes to your payroll
- Recent lists of your equipment
- Changes to your business property
- Changes in vehicles or drivers?
- Claims that were not submitted?

Remember, **failing to notify your carrier of your current exposures can result in unforeseen problems.** If you experience an audit that uncovers increases to your payroll, you could find yourself facing a bill for back premiums. Conversely, if your payroll has gone down, notifying your agent might result in lower premiums. An agent who asks the right questions from the start is protecting your bottom line.

Is your agent able to provide timely quotes and responsive service? This requires an investment in technology by both the agent and the insurance provider. Ask your agent the expected turn-around time for quotes and questions.

Does your agent provide access to dependable carriers with a long-term commitment to the construction industry? Taking the low-ball bait can leave you scrambling for coverage if your insurance provider is not financially stable or withdraws from the market. Find out about the insurance provider your agent is recommending:

- Do they have an A.M. Best rating of A+ or greater? Less than 8% of commercial P&C companies do.
- Is the company publicly traded (and thus required to provide public financial statements)?
- How long has the company served this market? What is their level of commitment?

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Our coverage extends beyond surety bonds to encompass insurance, workers' compensation, design/build professional liability insurance, and claims management.

Brunswick offers the construction business owner a full range of risk management services designed to preserve and protect the value of your business.

Additional Brunswick service offerings:

- Risk & Claims Management
- Workers' Compensation
- Professional Liability Insurance
- Business Insurance
- Health Insurance
- Financial Planning
- Personal Insurance
- Life Insurance

Does the coverage being offered provide maximum protection for your premium dollar? Is your agent taking the time to compare not just rates, but the details regarding level of coverage? **Some insurance providers may offer higher aggregate limits on standard policies.**

What protections are standard vs. optional (and therefore an additional expense)? Does your coverage include subcontracted work? Some construction contracts require per location/per aggregate coverage – will your coverage comply? Does your coverage provide blanket additional insured status for ongoing operations? Completed operations coverage for a flat charge?

Are elective coverages available from your insurance provider? Some insurance providers offer elective coverages that can result in increased protection, lower overall cost, or greater ease of doing business. Do you have access to elective coverages for automobiles, business property, computer & media, employee dishonesty, inland marine, workers' compensation, surety bonds and umbrella coverage?

Is your agent committed to identifying and finding coverage for unique circumstances and exposures? Look for an agent who is willing to take the time to find an insurance provider who meets your needs. An agent who is knowledgeable regarding the construction industry knows the questions to ask that can allow you to lower your premiums, obtain customized coverage, or find a provider with more flexible underwriting.

Does your current coverage provide a partner in managing your risk? Some insurance companies provide additional benefits, such as loss control assistance, on-site consultations to assess potential improvements, or free access to AGC standard wording for contracts.

Taking the time to thoroughly evaluate the coverage you are being offered can help ensure you make the right decision to protect your business.

Mark Levinson, vice president of the Surety Group at Brunswick Companies, has developed strong relationships with the leading surety underwriters in the business so that we may provide our clients with access to more favorable terms and conditions. Prior to joining Brunswick Companies in 1998, Mark was the bond manager for Chubb & Son, Inc., responsible for the Ohio, Michigan and Kentucky region. He is a member of CFMA and the Ohio Contractors Association as well as a past member of the OCA Executive Committee. Mark holds a bachelor's degree in finance/real estate from the University of Cincinnati.

Brunswick Companies is a seasoned team of risk managers and insurance underwriters. We understand that protecting today's assets is critical to realizing tomorrow's goals. We provide a proactive solution to companies and professional groups of all sizes by implementing a customized "best practices" approach to effective, long-term risk management.

Preventing Construction Claims Before They Occur

The first step in controlling and managing construction claims is proper and effective preparation of the contract documents. Attention to details at this stage can avoid or, at a minimum, reduce claims. Construction documents for the typical construction project can include not only the contract, but also conditions to the contract, supplemental conditions to the contract, drawings, and specifications. These documents control the rights and responsibilities of the owner and contractor.

The contract is the vehicle used to allocate risk. **Ideally, the risk should be shifted to the party in the best position to control the risk.** Various provisions of the contract shift the risk. How do you insure the risk is shifted to the appropriate party?

The Importance of Reading the Contract
Frequently, construction contracts are quickly reviewed, if at all, and then tossed in a file, never to see the light of day again until a dispute arises. Contract provisions may be agreed upon without a complete understanding of all the implications. Courts are generally reluctant to change the terms of a valid contract because contract liability is strict liability. That means a party to a contract can be held liable for damages resulting from breaching the contract even if the party is without fault and even if circumstances have made the contract more burdensome or less desirable to perform. All of this leads to one conclusion: **You should discuss and resolve any objectionable provisions BEFORE you execute the contract.**

Next Issue: Our series of articles on *How to Prevent and Resolve Construction Claims* will continue. Future topics include:

- Documentation Makes a Difference
- Differing Site Conditions Lead to Claims
- Delay & Lost Productivity
- Calculating Damages
- The Best Tools for Resolving Claims

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