

Insurance

BUSINESS

A M E R I C A

IBAMAG.COM
ISSUE 2.4

YOUNG GUNS

Meet 40 young stars making waves
in the insurance industry

PRODUCERS ON
CARRIERS

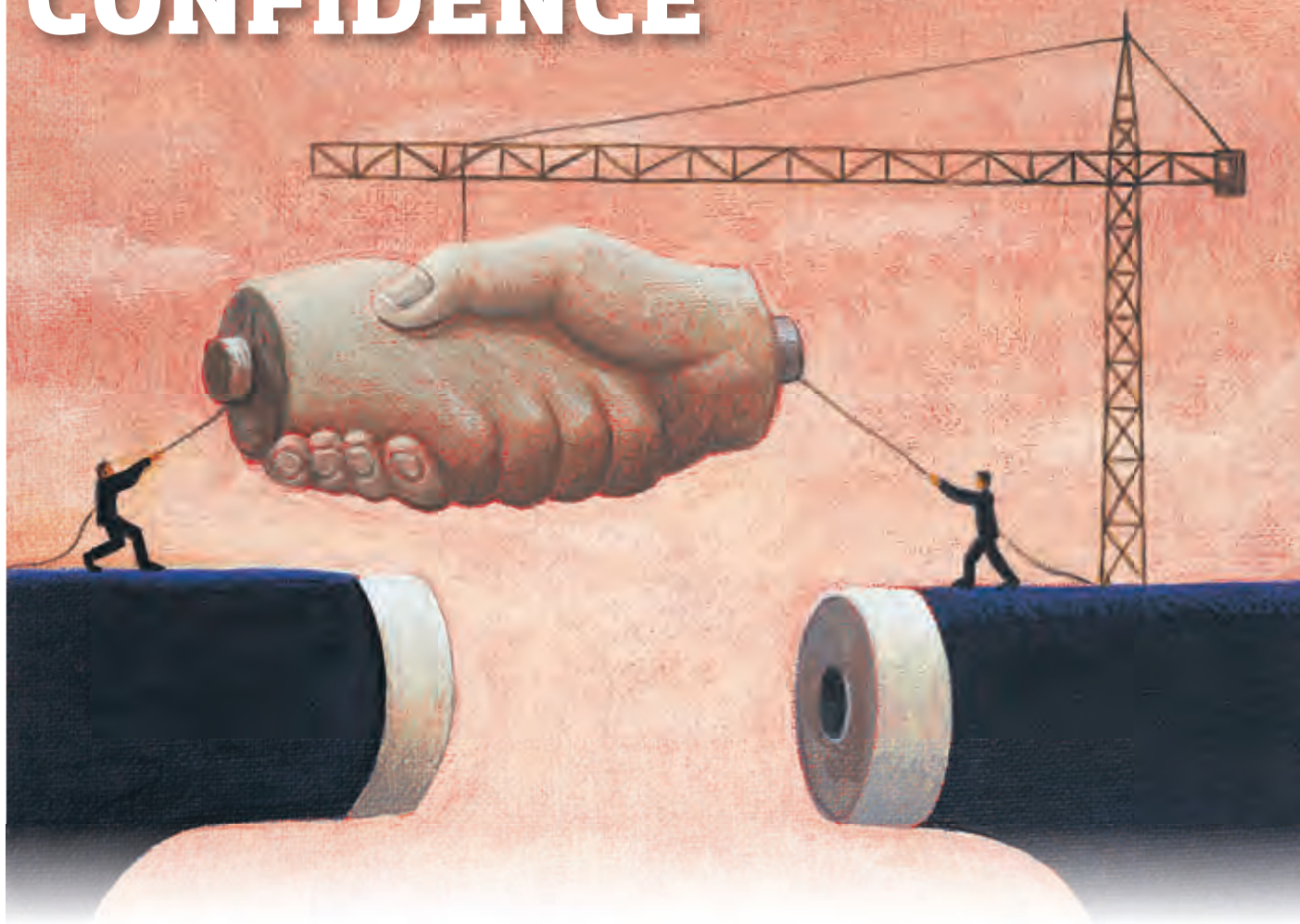
WHAT YOU REALLY WANT

WEED WIN
AGENCY SCORES
BIG

BROKER BOUNTY
AFFORDABLE CARE ACT
OPPORTUNITIES



BUILDING CONTRACTOR CONFIDENCE



Independent artisan contractors are building on an economic rebound, opening up new business for producers. **Liz Brown** highlights the potential as well as possible pitfalls

As the economy improves, the construction sector continues to slowly gather steam, meaning more independent contractors are taking up their tools and heading to work. According to the U.S. Census Bureau, housing starts saw a 7.5 percent increase over last year's pace in June and building permits were up 2.7 percent.

With more of these contractors entering the market, brokers can seize this opportunity to grow their own businesses and educate their clients to ensure they are fully protected against liability threats, from general liability coverage to pollution and premises pollution coverage.

“Many independent contractors don’t purchase insurance until they have to due to a job requirement, but unfortunately many times the small contractor will go out of business because he is sued for something and doesn’t have adequate coverage,” says Ralph Blust, president of Insurance Noodle in Chicago.

Blust says that many small contractors face a dilemma over liability coverage in that if they don’t obtain it and wait until a job forces them to, obtaining the coverage they need can be challenging. Insurance Noodle is trying to make it easier for contractors to obtain the insurance they need by relaunching a facility specifically for insurance agents dealing with artisan contractors. Through Insurance Noodle, agents can approach multiple carriers with a single application process to get a diversity of coverage and pricing.

Blust says that in his experience, claims in general liability aggregate around workmanship. Michael Hill of Hill Program Managers in Denver agrees. “Construction defects are a big issue for the construction industry, and different states have different laws. For example, in Florida they’ve had very big problems with condominiums,” he says.

According to Hill, professional liability coverage for construction contractors is fairly new. “It’s something they’ve been looking at seriously over the last four or five years,” he says.

Hill adds that it’s an area where agents can grow their business while helping to control their risk and their clients’ risk.

Another area where Hill says contractors face exposure is in action-over claims, where



“All sorts of construction trade contractors have had pollution-related losses”

Bill Pritchard, president and CEO of Beacon Hill Associates

employees may file claims on a general liability policy of a contractor even though they are collecting workers’ compensation from their employer. “These can be some pretty significant claims, especially in the state of New York where you have scaffolding laws (New York’s Labor Law 240),” says Hill. Agents should explain such risks with contractors.

Increased environmental awareness by the general public has also pushed pollution-related claims to the forefront, according to Bill Pritchard, president and CEO of Beacon Hill Associates, a nationwide provider of environmental liability insurance.

“Certainly over time we have seen claims activity in the various industries. All sorts of construction trade contractors have had pollution-related losses,” he says.

Because of this increased awareness of environmental risks and their detrimental effects to health, Pritchard says that it’s becoming more and more common for insurers to combine

FASTEST GROWING STATES FOR ARTISAN CONTRACTORS

- Wyoming: 12.8% gain
- Mississippi: 12%
- Colorado: 8.8%
- Hawaii: 8.8%
- Louisiana: 8.4%
- Missouri: 8.1%
- Connecticut: 7.3%

Source: Bureau of Labor Statistics, May 2013



TWO OF THE MOST COMMON LIABILITY RISKS FOR CONTRACTORS



MOLD – “Mold claims have become more significant than they were in the past,” says Pritchard. Indeed, there’s a saying that “mold is gold.”

According to industry statistics, mold claims rose by more than 1,300 percent between 2000 and 2001; the Texas Department of Insurance reported losses from mold claims swelled to \$1 billion during that time. Contractors that work jobs that could incur water damage have to be especially vigilant to mold risks.

“There haven’t been thousands of people dying of toxic mold,” says Pritchard, referring to the public health panic in the early 2000s about the health risks of mold. “But there has been a slow and incremental growth in these sorts of claims, and it’s becoming more of an issue.”



SILICA – Silica dust, which is a byproduct of sandblasting, can cause a lung disease called silicosis; it is sometimes called the “next asbestos.” There was a leap in claims in the early 2000s, but exposure can be minimized

with proper protective steps. According to the U.S. Department of Labor, over 2 million workers are exposed to silica dust each year.

professional liability policies with pollution policies for construction contractors. “It just trickles down because of this increased awareness. You know the general contractors are more likely to require all the subs they hire to carry pollution coverage because they’re required to have evidence of it.”

“With increased public awareness, there’s just a much higher likelihood that people will allege environmental problems are occurring, and this is drawing contractors into conversations they really didn’t have to have even a few years ago,” he adds.

EDUCATION IS KEY

In a competitive environment, sometimes construction contractors will fail to obtain adequate coverage because they need to keep costs low. However, this is a short-sighted strategy, and Blust says that agents should point out what is really at stake for the contractor and what they can potentially stand to lose if something goes wrong. “Contractors have usually put everything they have both personally and financially into their business, and it’s important to protect that,” he says.

While the increased public awareness of environmental pollution damages can be a problem for contractors, it’s also made pollution and environmental liability coverage more accessible and affordable, something that agents can point out to prospective clients. “The contractor pollution liability policies are much more competitive than they used to be. I think it’s much more cost effective, so more contractors are buying it routinely,” says Hill.

However, in order to sell these types of policies,

ARTISAN CONTRACTORS: HIGHEST EMPLOYMENT SEGMENTS



Plumbing, heating and air-conditioning:

848,110



Electrical and other wiring installation:

749,900



Electricians: **382,710**



Drywall and insulation: **203,350**




Carpenters: **173,020**



Roofing contractors: **169,350**

Source: Bureau of Labor Statistics, May 2013

agents need to familiarize themselves with the types of environmental and pollution risks that contractors face. “The biggest issue for most agents is being able to sit down with an insured and explain to them what their industry-specific exposures are and let them decide if they want to transfer that risk or not,” says Pritchard.

When agents become comfortable with the exposures and the policies and how they work, they can deliver them effectively to their clients. “It can become a really strong part of your business because it differentiates your agency from others,” says Pritchard. “If you can sit down and have a conversation with a client about these exposures they might not have coverage for, you are setting yourself up as the most professional person out there and will reap the benefits of that with client loyalty and referral business.” 

BEACON



HILL

ASSOCIATES INC

- ◆ GL & Pollution Liability
- ◆ Professional Liability
- ◆ Premises Pollution Liability
- ◆ Auto & Pollution Liability
- ◆ And many other lines

www.b-h-a.com

(800) 596-2156



Beacon Hill Associates, Inc.

Your Source for Environmental Liability Insurance

Virtually ALL businesses have environmental exposures.

Too much of any one substance can be considered a pollutant. Make sure your clients are protected in the event of a problem relating to their operations, facilities, or even from someone else's carelessness.