

## Four Steps to Clarity in Construction Insurance

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### **GUIDANCE TO HELP YOU BENEFIT MORE FROM YOUR NEXT PLAN RENEWAL**

You know it better than most: if you're in the business of construction, you're also in the business of managing risk. Fortunately, insurance exists to help protect your business and provide you with peace of mind if one or more of your risks turns into a claim.

Your insurance isn't a one-time transaction, though. In most cases, you'll need to renew your insurance every year – but you shouldn't click the submit button before reassessing your needs. Your business changes year to year, and so should your policy when it does. If it doesn't, you could underinsure your business and face considerable out-of-pocket expenses.

To help you stay better protected, we've gathered several factors to discuss with your insurer ahead of your next renewal.

#### **1. START WITH THE BASICS**

Different trends emerge within each of the construction and insurance industries each year; however, some of the steps you take at each renewal should remain the same.

- » Start the renewal process early – The earlier you assess changes to your business and risks, the more time you give yourself to compare policies and adjust your coverages. Set a goal of starting the process at least 90 to 120 days before your renewal.



- » Collaborate with your insurance representative – Your business is unique, and so are its risks. Don't let miscommunication lead to a gap in your coverage. Talk with your insurance agent early in the renewal process. They can help you identify loss trends, emerging risks, and discuss changes to your business. Each of these factors will help your agent identify the right coverage adjustments.

#### **2. ASK THE RIGHT QUESTIONS**

The way your business looks now probably isn't the way it looked during its last renewal. Any changes to your business could mean a change to your risk, and therefore your insurance policy.

To help you capture the changes that might affect your policy,

gather answers to the following questions before talking with your insurer:

- » What were your gross annual sales and payroll?
- » Have you added, replaced or reduced equipment?
- » Did you add or reduce your number of employees?
- » Have you entered new agreements with vendors or subcontractors?
- » Did your business add a new location or move?
- » Have you adjusted the products or services you offer?
- » Has your organizational structure changed?
- » Have you added technology or online processes?
- » How do you expect your business to change in the next year?

By answering each of these questions ahead of time, you can give your insurance agent an initial picture of how your business changed in the past year. This will help guide your renewal conversation and allow your agent to identify where your business may need additional protection.

### 3. ADJUST YOUR COVERAGES TO MEET RECENT TRENDS

After you've evaluated changes to your business, discuss any outside factors that could influence your policy. Some of the following trends may sound familiar, but how they affect your policy might surprise you.


- » Increased material costs – Elevated metal and lumber costs continue to cause challenges in the construction industry. If your policy doesn't adjust to the price increase, you could end up underinsured if a hazard damages your materials. Discuss an installation floater policy with your agent to ensure you have enough coverage for the materials you transport or plan to install on the worksite.
- » Payroll inflation – Much like materials, the construction industry has also experienced payroll inflation. If a jobsite accident injures one of your workers, and their wages have increased, they will receive higher temporary disability payments through your workers' compensation policy. This will impact your workers' compensation loss ratio in the current year, along with your experience modification rate (EMR) in future years. To help control your costs, continue to encourage an effective workplace safety program, and consider developing a modified duty program for work-related injuries.

### 4. UNDERSTAND YOUR COVERAGE OPTIONS

Your insurance renewal period is also an excellent time to review coverages you might be missing. Avoid taking a one-size-fits-all approach, though.

It would be best if you personalize your policy to your assets and risks. While your operations may vary, below are several risks and coverage options to keep on your radar at renewal.

- » General liability – As a contractor, you frequently visit different worksites to provide your services. General liability coverage can help protect your business from damages or legal expenses related to your services, operations, or employees.
- » Workers' compensation – Your employees are your business's most important asset. Workers' compensation policies help protect your team – and business – if an employee is injured.
- » Commercial auto – Whether your employees need to drive large trucks to transport materials or use company vehicles to visit a worksite, your team faces risks on the road. Commercial auto coverage can help protect your vehicles and employees if they're involved in an accident.
- » Errors and omissions – Details and tasks change between projects. Errors and omissions coverage can help financially protect your business from damages caused by mistake on the job.
- » Cyber liability – Cyberattacks continue to pose an increasing threat to the construction industry as more contractors store confidential data online. If your business falls victim to a ransomware attack, a hacker could block access to your critical data and interrupt operations until you pay a ransom. Cyber liability insurance can help protect your business if data is compromised.
- » Equipment and tools – Your equipment and tools – whether owned or leased – help you complete projects and meet deadlines. Contractor's equipment insurance can help replace damaged or destroyed equipment to help keep your operations running.

No matter what your policy looks like, the goal of a renewal is finding coverages that fit your business and keep it protected. The tips covered here should help guide your next renewal, but they shouldn't replace conversations you should have with your agent or insurer. You've worked hard to build a successful business. Keep it protected by asking the right questions. 



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### About the Author

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Sentry and Rancho Mesa both provide insurance and risk management services to contractors. Visit [ranchomesa.com](http://ranchomesa.com) and [sentry.com](http://sentry.com).

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### About the Article

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