

Preparing for Extreme Weather: Insurance Considerations for Contractors

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At this time of year, contractors must prepare for the increasing frequency and severity of extreme weather events. Heatwaves, heavy rainfall, hurricanes, and other weather phenomena can pose significant risks to construction projects, impacting timelines, safety, and financial stability.

To mitigate these risks, it's crucial for contractors to review and adjust their insurance coverage. Construction company owners, accountants, and financial leaders also need to ensure their operations are adequately protected against extreme weather events.

Extreme weather events pose significant challenges to construction projects in multiple ways. Severe weather, such as storms and heavy rainfall, can bring construction activities to a halt, resulting in delays that escalate project timelines and costs. Moreover, high winds, floods, and extreme temperatures have the potential to cause direct damage to equipment, materials, and structures that are under construction.

These adverse weather conditions can also create unsafe work environments, increasing the risk of accidents and injuries among workers. Delays and damages caused by extreme weather can lead to non-compliance with contractual deadlines and regulatory requirements, further complicating project management for contractors.

Given these potential impacts, contractors must evaluate their risk exposure and ensure their insurance coverage is robust and comprehensive. Key policies to consider include builder's



risk, general liability, professional liability, commercial property, inland marine, and workers' compensation insurance.

- » **Builder's risk insurance** covers buildings, structures under construction, and associated materials, supplies, and equipment at the construction site. It provides protection against physical loss or damage caused by various risks, including extreme weather events like hurricanes, floods, and high winds. When selecting a policy, it's crucial to make sure these weather-related risks are explicitly covered and to review any exclusions. Consider adding endorsements to fill coverage gaps that may leave your project vulnerable to weather-related losses.
- » **General liability insurance** safeguards businesses from claims arising from bodily injury, property damage, or

personal injury during operations. It's essential to verify that your policy includes coverage for accidents and injuries related to extreme weather conditions. Assess whether additional coverage is necessary to address specific weather-related hazards that could affect your construction activities.

- » **Professional liability insurance**, also known as errors and omissions insurance, is critical for contractors involved in design and engineering services. It protects against claims alleging negligence, errors, or omissions in professional work, which could exacerbate damage caused by extreme weather events. Ensure your policy covers potential errors that may impact project outcomes due to weather-related challenges.
- » **Commercial property insurance** covers physical assets such as buildings, equipment, and inventory against risks like fire, theft, and weather-related damage. It's essential to confirm that your policy includes adequate protection against extreme weather events specific to your geographical area. Review coverage limits and deductibles to confirm they align with the potential cost of weather-related damages your business could face.
- » **Inland marine insurance** covers tools, equipment, and materials while in transit or stored offsite, addressing risks that may not be covered by standard property insurance. Given the impact of extreme weather on construction logistics, make sure your policy extends coverage to include weather-related risks during transportation and storage stages, safeguarding materials from potential damage.
- » **Workers' compensation insurance** provides medical benefits and wage replacement to employees injured during work activities. With extreme weather posing increased risks of workplace injuries, it's crucial to confirm that your policy covers injuries related to adverse weather conditions. Review and reinforce safety protocols to minimize these risks and ensure adequate protection for your workforce.

In addition to having the right insurance coverage, contractors should implement risk-management strategies to mitigate the impact of extreme weather events. Managing the risks associated with extreme weather in construction projects requires a multifaceted approach that extends beyond insurance coverage. Begin by conducting regular risk assessments to evaluate how extreme weather conditions

could impact ongoing projects and identify vulnerable areas and develop contingency plans to minimize disruptions, including:

- » **Safety protocols:** Establish and enforce robust safety protocols tailored for working in challenging weather conditions. Then, provide comprehensive training and confirm all employees have the necessary protective gear to enhance onsite safety.
- » **Weather forecast monitoring:** Utilize reliable weather forecasting services to monitor and anticipate upcoming weather events. This proactive approach enables better planning and adjustment of project schedules to mitigate potential impacts caused by adverse weather.
- » **Materials and equipment security:** Securely store materials and equipment to protect them from weather-related damage. Implement weather-resistant storage solutions and use secure tie-downs for equipment to minimize risks during severe weather events.
- » **Communication plan:** Develop a clear communication plan to keep all stakeholders informed about weather-related risks and any necessary adjustments to project plans. Maintain up-to-date contact information and establish reliable communication channels to provide timely updates and coordination.
- » **Contract maintenance:** Review contracts with clients, trade partners, and suppliers to include provisions addressing potential weather-related delays and damages. Clearly defining liability and responsibilities helps mitigate disputes and allows for clarity in project management.
- » **Intentional Documentation:** Maintain meticulous documentation of weather conditions, project delays, damages, and all related communications. Thorough documentation is essential for insurance claims and legal purposes, providing transparency and accountability throughout the project lifecycle.

By implementing these strategies comprehensively, contractors can effectively manage the challenges posed by unpredictable weather patterns and safeguard the successful execution of their construction projects.

Given the increasing unpredictability of weather patterns, it's essential for contractors to regularly review and update their insurance coverage. First, collaborating with an insurance

advisor who specializes in construction insurance to assess your risk exposure is crucial. With their guidance, review your current insurance policies thoroughly to identify any gaps or limitations, especially those related to weather events.

Consider adding additional coverage such as flood insurance, windstorm insurance, or business interruption insurance based on your risk assessment. Parametric insurance, which offers measured certainty specific to weather-related exposures, is also worth exploring.

Adjust your coverage limits so they can adequately cover potential costs arising from weather-related damages and project delays. Modify deductibles and limits as necessary to align with your risk-management strategy. Finally, stay informed about changes in insurance regulations and industry trends to remain proactive in adjusting your coverage to effectively mitigate risks associated with evolving weather patterns.

By taking these steps, owners, accountants, and financial executives of leading construction firms can ensure that their projects remain on track and that their assets are protected, even in the face of extreme weather challenges. 🦋



About the Author

Matthew Summers is the head of construction at [Newfront](#). Summers previous experience as a senior vice president of project insurance practice and a member of the regional board of directors for the Insurance Industry Charitable Foundation has provided him expertise in all things insurance. He is now applying his extensive insurance knowledge to the construction industry.

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