



# The top 6 builders risk challenges in 2024 and how to respond

January 18, 2024

Builders Risk Program Manager, Jeff Benson

**Labor shortages**

**1**

# Labor shortages

- The residential construction industry is facing significant labor shortages due to factors including a lack of trained workers, an aging workforce, and decreasing numbers of people entering the industry.
- Labor shortages have led to delays in construction projects, increased costs, and a decrease in the quality of workmanship.
- The lack of trained workers has been exacerbated by the increasing demand for residential construction projects.



# How to respond?



Projects are taking longer so it's critical for insurance agents to provide their clients with the correct policy term.



Actively monitor policy expiration dates to ensure that there are no gaps in coverage during the construction process.



Builders risk coverage does not automatically renew. When a policy term expires, coverage comes to an end.



It's important to clarify that workmanship is not considered a covered peril under a builders risk policy.

**Supply chain  
disruptions**

**2**

# Supply chain disruptions



- Supply chain disruptions continue to linger, impacting residential construction projects in various ways, including:
  - Material availability
  - Cost management
  - Project timelines
  - Quality control
  - Collaboration and communication
  - Sustainability and environmental impact.

# How to respond?



## Insurance to value

Proper insurance to value is crucial to ensure that clients have sufficient coverage in the event of a loss. Accurately assessing the replacement cost of their assets is key to determining the appropriate insurance to value.



## Co-insurance and E&O issues

Co-insurance penalties and errors & omissions issues are significant risks. It's important to stay informed about the latest regulations and maintain effective communication with clients to mitigate these risks.

**Inflation**

**3**



# Inflation

- **Increased construction costs**  
The increase in the cost of construction materials, labor, and equipment continues to affect construction projects.
- **Delayed projects**  
When costs rise, builders may need to reassess their budget and financing plans. This can result in delays in starting or completing construction projects as they seek additional funding or adjust their plans to accommodate higher costs.



# How to respond?



- Selecting adequate project limits for increased exposure is crucial in mitigating the risks associated with rising costs.
- Ensure clients secure proper limits for automatic/optional coverages, such as:
  - Soft costs
  - Transit
  - Temporary storage.
- If a project is delayed, it is important to notify the underwriter to avoid any potential gaps in coverage.

**Extreme weather  
events**

**4**

# Extreme weather events



## Damage

Extreme weather events such as hurricanes, tornadoes, floods, and wildfires can cause severe damage to residential structures, as well as equipment/tools and materials used for construction projects.



## Increased costs

Extreme weather events can lead to increased costs for construction projects. This can include expenses for repairing damage, implementing additional safety measures, rescheduling work, and extending project timelines



## Delays in construction

Extreme weather events can disrupt construction schedules and cause increased costs and delays in project completion.

# How to respond?

- It's crucial to explain mandatory wind deductibles to clients to ensure they have a clear understanding of the potential financial implications.
- Ensure clients have all necessary coverages included in their policy.
- Clients should create a pre- and post-extreme weather event plan.
- It's vital for clients to establish a protection plan for equipment and materials on the jobsite.



**Limited capacity**

**5**

# Limited capacity



- Driven by their assessment of risk and financial viability, insurance carriers move in and out of extreme weather prone areas
- To ensure alternative coverage options for clients, it's crucial to stay on top of available markets when there is limited insurance capacity.
- If insurance carriers are not able to increase their rates in certain states, they may face financial challenges and may have to take measures to mitigate their risks. This can include restricting new business or even ceasing to provide coverage in those states.

# Limited capacity



**Higher costs:** When insurance capacity is limited, insurance companies may charge higher premiums to cover the increased risk. This can result in higher insurance costs for construction projects, impacting the overall project budget.



**Delayed or cancelled projects:** limited capacity can make it challenging for construction projects to obtain the necessary insurance coverage. This can result in project delays or even project cancellations if insurance coverage cannot be secured.



**Reduced availability:** Limited insurance capacity can lead to a reduction in the availability of insurance coverage for construction projects. Insurance companies may become more selective in the projects they choose to insure, leading to fewer options.



**Increased risk exposure:** With limited insurance capacity, construction projects may face increased risk exposure. If coverage options are limited or inadequate, project owners and contractors may have to assume more risk themselves.

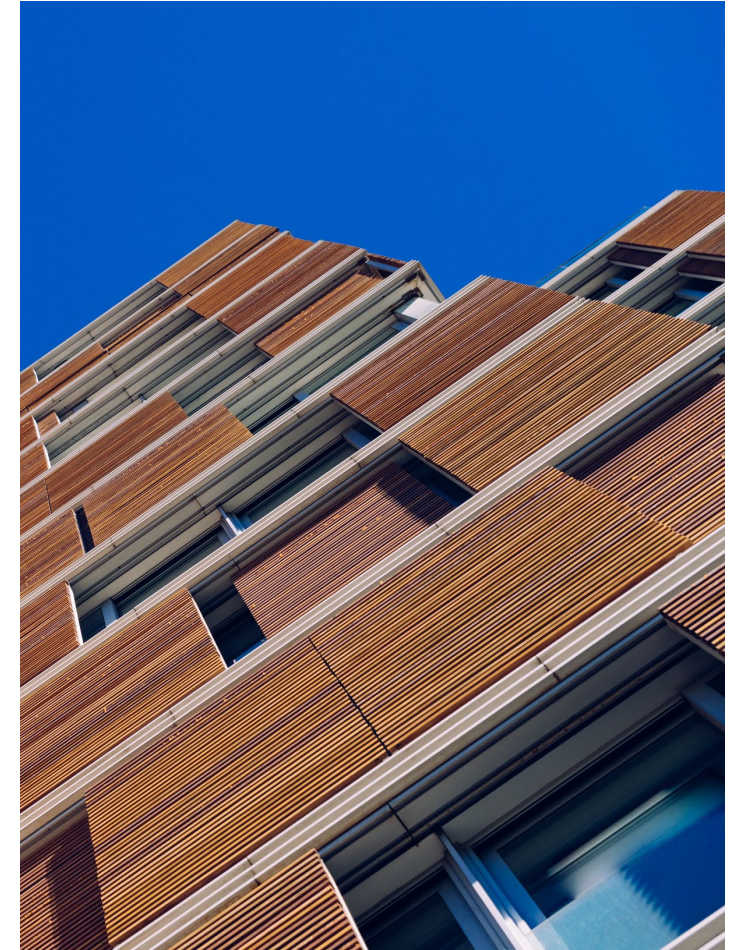


**Sustainable  
construction**

6

# Sustainable construction

- The green building market is projected by Mordor Intelligence to reach \$394.4 billion by 2028.
- The transition to a more sustainable future will not be straightforward.
- A Forbes survey found that while 59% of construction industry respondents regarded a sustainable supply chain as a differentiator, 47% said increased process complexity was an obstacle to achieving their sustainability targets.



# How to respond?



## Knowledge and expertise

Possessing expertise around sustainable construction by staying updated on the latest trends and regulations is a distinguishing factor for insurance agents amongst their peers.



## Tailored insurance coverage

Closely inspect builders risk forms to establish whether they include coverage for unique risks associated with sustainable construction to help ensure clients are adequately protected.



## Risk mitigation strategies

To help clients reduce risk, recommend safety protocols, quality control measures etc. to minimize the likelihood of accidents, property damage, or environmental liabilities.



## Risk assessment

Help clients identify potential risks and vulnerabilities associated with sustainable construction practices, such as the use of new materials, energy-efficient technologies, and renewable energy systems.

# “Pass through” risk

What is a “pass through” risk?

A “pass through” risk is any case submitted into V<sup>2</sup> that does not generate an underwriting hold and flows from quote to bind to issue.

If your client does not need to increase the limit of automatic additional coverages or add any optional coverages, and you can answer, “yes,” to the following questions in your V<sup>2</sup> submission, your quote will not generate an underwriting hold and you will receive your quote in minutes.

*Q. Is the project ground-up, new construction?*

*Q. Is the project less than 30% complete?*

*Q. Does the project type fall within protection classes 1-7?*

*Q. Is this a new construction project with a completed value of:*

*- \$1.5 million or less (coastal)*

*- \$3 million or less (inland)*

*Q. Does the builder, remodeler, owner or general contractor have at least 2 years' experience?*



**Q & A**

# Your experienced builders risk team



**Jeff Benson**

Senior Underwriting Manager

[jeffrey.benson@victorinsurance.com](mailto:jeffrey.benson@victorinsurance.com)

(904) 607-4916



**Donna Berry**

Senior Underwriter

[buildersrisk.us@victorinsurance.com](mailto:buildersrisk.us@victorinsurance.com)

(800) 944-7472

**Telephone:** (800) 944-7472

**Email:** [buildersrisk.us@victorinsurance.com](mailto:buildersrisk.us@victorinsurance.com)



**Thank you**



This document is for illustrative purposes only and is not a contract. It is intended to provide a general overview of the program described. Please remember only the insurance policy can give actual terms, coverage, amounts, conditions and exclusions. Program availability and coverage are subject to individual underwriting criteria.

Victor Insurance Services LLC in MN | DBA in CA and NY: Victor Insurance Services | CA Ins. Lic. # 0156109