

Reducing Your Insurance Risk

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Insurance seems like a necessary evil for most contractors. It's the price of doing business, and a price that is frequently too high, especially in major metropolitan areas like New York City. Construction firms think they pay what insurers will charge simply because the market will bear it.

Insurers look at it from a different perspective. To them, insurance is an absolute necessity, an incredible system to deal with an uncertain world. The costs they impose should serve as a market-based incentive for risk businesses to act safer. If prices rise, that's an indication of increased risk, and construction firms should start thinking about how they can be safer.

Insurance brokers specializing in the construction space see this difference in perspective every day. Brokers hear from insurers about the risks they're willing to take, and they hear from builders and developers about the costs they're willing to pay. To make those points of view connect, there are actually ways builders and developers can save themselves money by reducing their risks. Maintaining safer jobsites should be an incentive in and of itself, but cost reduction is certainly an attractive side effect.

To take advantage of this reality and lower expenses, here are some straightforward ways to save on insurance costs with smart risk-reduction efforts.

Invest in a Safety Program

Instituting a genuine safety program is the first and most proactive way to not only ensure your workers safety, but also demonstrate to insurers that you take safety seriously.

Actually caring about safety is the point many builders and developers miss. Insurance carriers have been around for a long time, and they know when companies are making genuine efforts to improve their safety processes, and when they're just saying so to try and get a discount.

If you want to prove that your firm takes safety seriously and deserves to be regarded as a desirable risk, you need a concerted, ongoing effort to implement and reinforce best safety practices. The Occupational Safety & Health Administration actually has plenty of templates for safety plans you can easily pull from to get a framework for creating your own, and your own state government may have resources as well. There are plenty of other templates out there, but you ultimately need to make sure that any program is tailored to your business and makes sense for the work that you do.

Conduct Drug and Alcohol Screenings

This used to be a nice-to-have, but now it's a need-to-have. Quite simply, if you don't have a drug and alcohol screening program in place, you're going to pay for it.

Across industries, more than 60 percent of companies today have drug testing programs, down from a high of more than 80 percent a decade ago, according to the American Management Association. That being said, the construction industry continues to see higher



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rates of drug and alcohol use than almost any other sector, according to National Survey on Drug Use and Health. Even when controlling for age and gender, drug and alcohol use among construction workers are consistently at the top or near the top of the list when it comes to the percentage that consumes alcohol or drugs on a regular basis.

Knowing that, it's hardly a surprise why underwriters want to make sure no one under the influence is present on job sites. That's why it's so important for construction firms to demonstrate they're taking every precaution necessary.

Demonstrate a History of Safety

The most surefire way to reduce insurance costs is to show insurers a record of measurable success at improving safety. The only problem, of course, is that building this record takes time.

Quite simply, as much as creating safety programs and implementing drug screening is crucial, you can only tell insurers so much before they want to see the results themselves. Actually demonstrating that history is what will really bring your costs down in the long run. Even if that won't happen for some time, you can still take steps today to make it happen.

In order to clearly and unequivocally demonstrate your record of safety, keep diligent records. The more meticulous, the less doubt will be in the minds of the underwriters evaluating your risk and determining your rates. Complying with OSHA is one part of this, but also keep track of the steps you've taken as part of your safety and testing programs.

Ultimately, if you can show insurers your jobsites are safe and have a minimal chance of costing them in claims, they won't hit you over the head with high deductibles and aggregate payments.