



# Rapid Growth in Construction Means Greater Risk— and Demand for Smarter Underwriting

STARR  
INSURANCE COMPANIES

**RISK &  
INSURANCE**

*A convergence of new trends and old challenges makes construction riskier than ever. Managing those risks requires an insurer who can adapt to unique needs.*

Construction is inherently risky. Large projects, lots of stakeholders, expensive heavy equipment, and dangerous work characterize the industry. More recent trends — like the ongoing labor shortage and the introduction of new technologies amid increased demand in a booming economy — means managing a project’s risks is more complicated than ever.

Total spending in engineering and construction in the U.S. will be up 6 percent by the end of 2018 over 2017, according to construction management consulting firm FMI. The industry as a whole hit 5 percent growth this year. At the same time, though, rising costs of materials drive up the value of property claims, and relentlessly increasing healthcare costs make workers’ compensation coverage more expensive. Managing increased demand amid tightening cost constraints creates opportunities for error.

Several carriers over the past few months have exited construction rather than deal with the complexities. AIG has exited the NY construction market as have a few other domestic carriers. Many are now evaluating their commitment to the construction market.

“The construction industry is moving fast, and the demands on our customers are significant,” said Andrew Robinson, Senior Vice President, Primary and Excess Construction, Starr Insurance Companies. “To serve this sector, you need the technical knowledge to speak with clients on their level, you need to be swift and responsive, but most importantly, you need to listen.”

An emphasis on relationships — in combination with in-house Loss Control and Account Management staff and a suite of both primary and excess products — helps the underwriters at Starr stand out from their competitors. The insurer’s flat management structure and status as a privately-owned company also position it to respond more efficiently to the construction industry’s rapidly changing exposures.

The following three case studies demonstrate how Starr’s collaborative approach helps clients overcome critical challenges at a time when many underwriters are having difficulty managing the complex long-tail exposures inherent to construction risks:

## **Case Study I: Finally, an insurance company that cares about us**

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Transparent communication from the beginning sets the stage for an open and trusting relationship. Large carriers tend to have a predefined, institutional approach to insuring a new project that emphasizes the insurer’s expertise and resources over the project owner’s.

“That works for some folks, but it doesn’t work for a lot of our clients,” Robinson said. “So we integrate the insured’s preferences, processes and culture into our solution.”

Many insurance companies may make similar claims, but Starr’s flat structure enables its Construction underwriters to sidestep much of the bureaucracy that stymies legacy institutions and work with clients more nimbly. Robinson described how the company’s approach of listening first won over a recent new client.

## **Rapid Growth in Construction Means Greater Risk—and Demand for Smarter Underwriting** (continued)

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“A prospect came to us who was unhappy with their carrier’s claims practices. So we mustered all of our service folks and had a three-city, eight-person conference call — the client, the broker, and our team,” Robinson said. “As you can imagine, everyone on a call like that is there for a reason and has their own vested interest in the outcome. You would expect everyone to want to get their two cents in. But that’s not what happened.”

Robinson knows that in the end, his business is about how the claim is managed. So he made sure that Starr’s head of claims engaged the prospective new client’s risk manager directly. They ended up talking for 45 minutes (while everyone else kept quiet) discussing the client’s claims challenges and what they expected of a carrier, exchanging claims-handling philosophies, establishing mutual expectations around what Starr and the policyholder could deliver, and where third-party services might be needed.

“There was a shared sense of ‘we’re in this together,’” Robinson said. “Ten minutes after the call, the risk manager told us he was all in with us. It was the first time he felt that his insurer was his partner and actually cared about what he had to say.”

### **Case Study II: What are you going to do to us?**

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Commitment to lasting partnerships also requires an appreciation of the performance of a company’s risk management program over the long term. When a six-year client of Starr’s came in for their renewal meeting just one month after a severe claim involving a fatality, the company’s CEO expected the worst.

“The CEO came to the table looking ashen and said he could barely sleep because he was convinced we were going to ‘jack up’ his premium. Soon after we walked in, he asked ‘What are you going to do to us?’” Robinson said. “We told him, ‘Yours was a well-run, well-managed company before the claim and that hasn’t changed. We’ve had a good relationship over the past six years. Why would one claim change our approach?’ Sometimes, things happen. But one incident shouldn’t completely shake the foundation of that relationship.”

The conversation pivoted away from the claim and focused instead on what projects the company had in the works for the upcoming year.

“Our relationships mean a lot to us,” Robinson said. “We can’t be reactionary, because we know our clients have a lot of other options out there. There’s a reason they stick with us year over year and that’s why our client retention rate is 90 percent.”

### **Case Study III: Building the “Starr CIP Enterprise**

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The advantages of the Starr platform are best demonstrated when it comes to solving particularly tough market challenges.

In construction, project owners increasingly opt not to package every policy together, but nonetheless want to ensure that their coverages are unified and gap-free. While some carriers offer a GL-only primary product customized for single projects, none could offer companion excess coverage that seamlessly aligned with the primary program.

“We listened to what our brokers and clients were asking for, which was essentially combined primary and excess coverages that they could obtain from a single carrier. A one-stop shop solution,” Robinson said.

Building a new primary product that would click with existing excess coverage was no easy feat. Underwriters and claims professionals had to come together to shape coverage that would fulfill client demands without jeopardizing

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Starr's bottom line. But despite differing perspectives, the team got it done.

“We knew we had to get this done for our clients, so we put our heads down and went to work. Because of our leadership position in the excess construction market, and because we have the technical underwriting expertise, we can now offer up to \$12 million in concurrent, customized coverage,” Robinson said.

The new controlled insurance program — aptly named Starr CIP Enterprise — is offered exclusively through a distribution channel of 40 wholesalers. Since its launch earlier this year, it has received immediate and immense favorable reviews. Starr, within three months of launching the product, had 120 submissions and had bound four primary and excess deals totaling \$4 million.

“We were able to assemble this coverage and bring it to market within a few months in part because of our flatter corporate structure. Larger institutions typically find it harder to push new products through on tight timeframes because there are simply more people and processes involved,” Robinson said.

### Collaboration and Consistency Are Cornerstones of Success

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All of these characteristics — communication, trust and responsiveness — are products not just of scale and technical expertise, but of Starr's culture of collaboration.

“Everyone here is willing to roll up their sleeves and work together to get a job done. We're all governed by the mission of providing what's best for our clients,” Robinson said. “There's that sense that, when you pick up the phone and ask for help, the person on the other end will drop what they're doing and contribute to the process.”

That culture has contributed to Starr's low turnover rate. The construction division staff hasn't changed much for the last 10 years. That translates into a consistent customer service experience for clients.

“If you're a client of ours, you're talking to the same person any time you have a question,” Robinson said. “In the dangerous world of construction, you want stability, continuity and consistency from the people who are supporting you and your projects.”

To learn more, visit [starrcompanies.com/insurance/constructionoverview](https://starrcompanies.com/insurance/constructionoverview).