Insurers Can Bolster Construction Safety Programs

By: Andrew Murray, Chief Underwriting Officer, Construction

The high-risk intersection of skill level and safe operations is traditionally a “proceed-with-caution” zone in the construction industry. It presents the greatest peril when owners and contractors are pressed to hire earnest but unskilled workers to bridge the gap between current workforce and the staffing levels they need to meet demand.

Before hurricanes Harvey, Irma and Maria and the wildfires in California, put-in-place construction was forecast to make 2018 another expansion year for U.S. residential, commercial and industrial markets. A shortage of skilled workers was projected to continue into 2018 and beyond. The huge demand for residential construction work after the devastation of the hurricanes and wildfires only compounds the demand for laborers to complete the work ahead.

All of this building activity underscores the many risks construction operations face — insuring the property itself, worker safety, various forms of liability and a challenging regulatory environment. Add the difficulty in procuring coverage levels desired for large projects, and it all leads to an environment where construction insurers must work hard to provide clients with the insurance coverage they want and need. Today and in the future, insurers have an opportunity to go further — to bolster clients’ programs in the fundamental and ever-critical area of safety management by designing support services that help construction firms become safer companies.

As of the third quarter of 2017, unemployment in the construction sector was close to that for the general population meaning that there are no labor pipelines waiting to be tapped. It may be that the balancing act between competing forces — increased demand versus increased materials cost, labor versus interest cost — could end up capping demand within a manageable level. However, if an imbalance gives the advantage to demand, bringing greater numbers of unskilled and inexperienced workers to jobsites will very likely lead to higher workers’ compensation claims totals as well as increased potential for liability losses.

Skilled Labor Shortage

Indeed, owners and contractors in the current market find their human resources stretched beyond capacity even as they undertake increasing numbers of development projects. There aren’t enough construction workers, and many of those available are inexperienced. During the recession of 2008, more than 1.5 million workers left the industry. Many did not return, and their ranks were not replenished with new workers. Among skilled workers who continued construction employment, many are baby boomers now at retirement age. This increases pressure not only on finding replacement labor but also on managing workers’ compensation injury exposure.
Insurers Can Bolster Construction Safety Programs (continued)

In its most recent employment projections, the U.S. Bureau of Labor Statistics projects the industry will add close to 800,000 jobs by 2024. Many who fill those positions will be untrained and unskilled. It is imperative that they have the benefit of thorough, effective training and ongoing health and safety programs. These areas are where the value of an involved insurance carrier partner can help drive positive impact.

A recent industry study identified the following top factors that encourage companies to adopt safety practices: worker health and safety concerns, liability concerns and insurance costs. Responding companies indicated that seeking to reduce insurance rates is by far the most important reason they continue to invest in safety management.

Insurers as Safety Partners

Insurers have an opportunity and an obligation to develop services or augment existing ones that not only encourage but also assist in making construction firms and their employees healthier and safer. The need always exists, but it will become especially acute as companies hire increasing numbers of inexperienced workers and take on more projects with less-than-ideal worker staffing levels.

Construction firms have indicated significant interest in wanting to employ greater use of technology tools to train workers. There are basics, like looking for operational areas where implementing situational proactive measures to reduce reactive and often hazardous responses by workers. They also want continued progress in automating production processes as well as integrating standards for quality, environmental and safety management systems. These are areas where insurers can provide help through effective loss control consulting.

Collaboration by all key parties is becoming more widely acknowledged as important to the efficiency and overall success of construction projects. Insurers can deliver new or enhanced value-added services by collaborating on safety management with owners, general contractors and trade contractors to tailor programs to their distinct needs. From an overarching perspective, it is necessary to identify specific needs of individual contractors as well as major projects and customize services accordingly.

Not all clients, of course, welcome consultation from outside the circle of construction professionals. It is important, nevertheless, for insurers to continue to strive towards making inroads as trusted partners. From a practice program perspective, as a group, trade contractors, more than general contractors tend to acknowledge that improved project safety is a benefit of working with experts outside their industry. A primary driver behind this is that typically while general contractors, and sometimes project owners, carry the bulk of the liability exposure, trade contractors carry the direct personal and financial cost of any injuries related to their staff. Naturally this varies by jurisdiction and can be dependent upon the specific anti-indemnity statutes governing the work.

Current challenges keep the construction industry front-and-center as business and government manage the rebuilding after recent catastrophes. An adjunct to this are efforts being put forth focused on reducing catastrophic losses in the future. As business opportunities boom for construction firms and their suppliers, the economy should benefit.

In order for contractors to prosper, repairs to the country’s infrastructure, the repair or replacement of recently damaged or destroyed residences and the reinvention of future development must embed efforts to reduce
contracting risk. This reduction of risk will be accretive to the movement forward of the construction component of the economy. Health and safety management services as part of the insurance offering should become a value-add that construction clients count on as a tool to enhance the productivity and profitability of their firms.

Reach out to Andy Murray, Chief Underwriting Officer, Construction for more information on how a Starr solution can work for you, or visit starrcompanies.com/insurance/constructionoverview