

# Insurance Is Far More Than a Piece of Paper

BY TIM FARRELL

Many contractors view insurance as a hefty expense that's filed away and forgotten until the broker arrives a year later to renew the process. Sure, there is a collective sigh of relief that coverage exists when a claim occurs. But, business owners often think, "I've hardly had any claims in all my years in business. Why don't I just invest the money in something that offers a little payback?"

In reality, contractors don't necessarily want to see "payback" in the way of claims coverage. Other alternatives, including partnering with insurers, can help companies avoid costly and time-consuming mishaps. Proactive loss control and claims management services actually can help businesses become more profitable.

Insurance companies have a vested interest in helping firms prevent claims.

When a claim does happen, it's important to trust that the insurer moves quickly, deals with issues thoroughly, and resolves the matter fairly and efficiently. The opposite scenario often involves a nightmare of red tape, time-consuming litigation and expenses.

This is where the value of a partnership with an insurance company can pay off: claims prevention, loss control and claims management.

There are three basic components to how insurance companies price their coverage:

1. **Predicting the losses.** This is based on a contractor's prior loss history as well as industry averages.
2. **Profit.** A margin is built into the premium.
3. **Overhead.** Insurance companies are set up differently, staffed differently and operate differently, and they provide various loss control and claims management services to insureds.

Although the first two components are about the same for everyone, pricing differences tend to result from differences in overhead and the overall depth of services.

#### APPROACHES TO LOSS CONTROL AND CLAIMS MANAGEMENT

Following are examples of the ways three leading insurance companies approach business.

Zurich is the largest writer of insurance for contractors in North America.

The company has several services available to meet the goal of making their insured better contractors. Alex Munoz, the Northeast region's managing account executive, explains Zurich's coverage as a way for contractors to lower the cost of doing business.

"Implementing the safety services available from Zurich has proven to provide contractors with an incident rate that is 25 percent lower than the industry average," Munoz says. "It results in improvements of a contractor's quality assurance and quality control program, which touches all aspects of its business."

Chartis is an active provider of wide-ranging services for contractors, including loss control programs for insureds with transportation exposures. This includes driver training, mock Department of Transportation audits, and specialty claims assistance that targets indoor air quality issues such as water and mold damage. To assist the claims management issues of its pollution insurance clients, Chartis has more than 80 claims specialists on staff.

XL Insurance Company's approach is a bit more holistic. According to Marcy

**Contractors must require brokers to offer options that include both loss control and claims management services under standard premiums.**

Zeichner, senior risk management consultant, "The first step is to identify risk management priorities and the corrective actions needed. This should result in improved fiscal planning and resource allocation. All this will yield increased productivity and profitability."

In its claims management area, XL employs an in-house staff consisting of attorneys, scientists, engineers and other claims professionals. Beyond simple claims handling, capabilities extend to project management assistance, cost control, claims consulting and litigation support. Available 24 hours a day and seven days a week, the company also can act as a liaison with government agencies and the media.

While all of these services are not free,

they typically are provided as part of the contractor's paid premium.

#### KNOW YOUR OPTIONS

It's no wonder insureds perceive insurance as a commodity. Because contractors must bid to obtain their work, they sometimes expect insurance carriers to do the same at renewal time. In this market, carriers are more than happy to provide quotes with the aide of brokers. With an array of quotes, evaluations often boil down to the cheapest premium.

But, other considerations should be addressed during the decision-making process. To form better and more profitable partnerships with insurers, contractors must require brokers to offer options that include both loss control and claims management services under standard premiums. This is a necessity for ensuring long-term viability in the face of mishaps, miscommunications and calamity.

**Tim Farrell is senior vice president of New Day Underwriting Managers, Bordentown, N.J. For more information, call (609) 298-3516, ext. 103, or email tim.farrell@newdayunderwriting.com.**



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