

WHAT TO EXPECT AT YOUR NEXT RENEWAL

Presented by

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Most lines of insurance have felt the effect of the overall turn in the market—some more than others. Consider the construction defect scare, which began in California and is now rippling through the entire country, with insurers introducing more restrictive exclusions on their policies and even withdrawing from certain market segments. Look also at the growing trend of “sick building” or toxic mold claims. Add to this the changes in the 2001 ISO CGL portfolio of standard endorsements that may result in contractors losing valuable coverage under their general liability policies. Taken together, your next renewal could be the scariest one yet. This session provides an overview of recent market fluctuations, their effect on general pricing and underwriting practices, and potentially problematic changes in policy coverage terms. Learn how to face your next renewal armed with specifications that can help facilitate a smoother, and more beneficial, renewal process.

Wednesday, October 31, 1:30-3:00 p.m. and 3:30-5:00 p.m.



Argonaut Insurance Company



CONSTRUCTION WRAP-UPS

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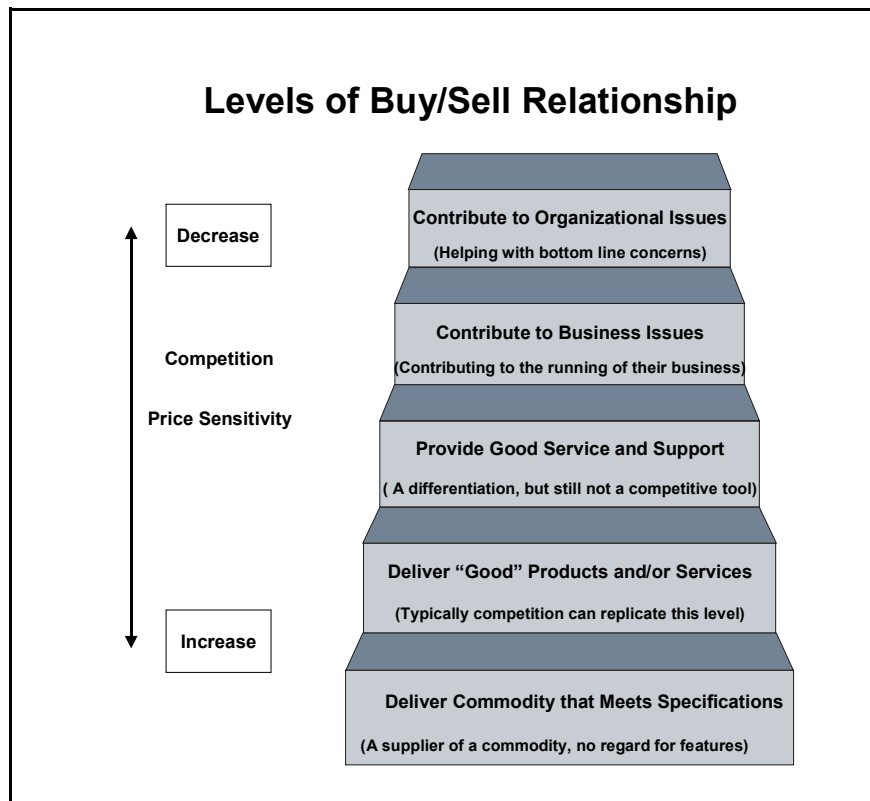
Mr. Davis is moderating the panel discussion during Wednesday's General Session as well as presenting Workshop I, "What To Expect at Your Next Renewal," on Wednesday. He is senior vice president and director of Construction Risk Services of McGriff, Seibels & Williams in Birmingham. He is the practice leader for Construction Risk Services at MSW and is responsible for negotiation, placement, servicing, and client presentations to the construction industry. He is recognized throughout the industry in program design and alternative risk financing methods, such as captive insurance companies. He is a past recipient of IRMI's Words of Wisdom award, and he is widely published in insurance and construction periodicals. In addition to the IRMI Construction Risk Conference, he also participates on the national construction risk management speaking circuit for organizations such as AGC, CFMA, and AICPA. He was a contributing author for *Construction Accounting Deskbook 2000/2001*, published by Harcourt, and has recently authored the national AGC's new publication titled *Risk Management, Insurance & Bonding for the Construction Industry*. During his career, Mr. Davis has participated and been responsible for designing and implementing risk management programs for companies listed in ENR Top 200 as well as establishing risk funding alternatives, such as captives, rent-a-captives, self-insurance, etc. Not only has he developed domestic programs, but he has also participated in several international construction projects.

Notes

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WHAT TO EXPECT AT YOUR NEXT RENEWAL

*Steven D. Davis
McGriff, Seibels & Williams*



Workshop I

MARKET UPDATE

- **ESTIMATED INSURED LOSSES TO REACH \$60 B**
- **LARGEST SINGLE INSURED EVENT IN HISTORY**
- **UNRECOVERABLE REINSURANCE EXPOSURE**
- **REINSURANCE CAPACITY REDUCED**
- **TERRORISM EXCLUSIONS (BR/PROPERTY)**
- **PROPERTY MARKET DISTRESSED**

MARKET UPDATE

- **BUILDER'S RISK MARKETS- INHOUSE CAPACITY**
- **INSURERS/GOVERNMENT AGENDA FOR TERRORISM**
- **AVIATION MARKET HIT HARD**
- **BUSINESS INTERRUPTION HIT HARD**
- **BEST'S UNDERWRITING "WATCH LIST"**
- **LOSSES MAY EXCEED REINSURANCE IN PLACE**

MARKET UPDATE

- **LIABILITY MARKETS = RATE INCREASES**
- **UMBRELLA/EXCESS LIABILITY = RATE INCREASES**
- **REINSURERS WITH LOW CAPITAL MAY NOT MAKE IT**
- **LIFE INSURANCE INDUSTRY = HIT BUT NOT AS BAD AS P/C**
- **HEALTH INSURANCE = RESPIRATORY AND STRESS CLAIMS**

WHAT TO EXPECT GENERAL LIABILITY

- **RATES**
- **DEDUCTIBLES**
- **MOLD/EFIS EXCLUSIONS**
- **QUALITY MARKETS = SELECTIVE**
- **SITE CLEANUP AND OTHER 'THROW-INS'**
- **STREET & ROAD LOSSES FROM SITE WORK**
- **RESIDENTIAL WILL HAVE MOST PROBLEM**
- **PER PROJECT AGGS MAY BE A PROBLEM**

WHAT TO EXPECT AUTOMOBILE

- **RATE INCREASES**
- **SKIN IN THE GAME**
- **STAND ALONE WILL BE DIFFICULT**
- **DRIVER PROGRAMS**
- **EXCESS IMPACT ON RATING OF UMBRELLA**

WHAT TO EXPECT WORKER'S COMPENSATION

- **MODIFIERS HAVE UPWARD PRESSURE**
- **OVERALL MARKET LOSING MONEY**
- **ALTERNATIVE FUNDING TO EASE PAIN**
- **LOSS HISTORY = PROBLEMS**
- **RATE INCREASES**

WHAT TO EXPECT UMBRELLA/EXCESS

- **RATE INCREASES**
- **RESTRICTIVE ENDORSEMENTS**
- **REDUCED INHOUSE CAPACITY**
- **INTERESTED UNDERWRITERS DISAPPEARING
ACT**

WHAT TO EXPECT BUILDER'S RISK/PROPERTY

- **CAPACITY**
- **RATE PROBLEMS**
- **TERRORISM**
- **CAT PRONE AREAS = LESS MARKET SUPPORT**

Renewal Strategies

- **Insurance Specifications and formalized submissions**
 - **Start early**
 - **Introduction**
 - **Overview of operations**
 - **Program design**
 - **Detail Coverages**
 - **Loss history**
 - **Establish targets for underwriters**

Renewal Strategies

- **Personal meetings**
- **Look beyond premium charges**
- **Evaluate compensation issues**
- **Focus on what really makes a difference**
 - **Subcontract agreements/Purchase Orders**
 - **Safety management**
 - **Benchmark against averages**

Renewal Strategies

- **How much risk to take on**
- **Driver selections**
- **Maintenance programs**
- **Loss history, detailed and segregated**
- **Why do you deserve a better rate????**
- **Utilize Conceptual Presentations**
- **Focus on quality**

Renewal Strategies

- **Contract Documents**
 - Updated Indemnity Agreements
 - Subcontractor insurance coverages/limits
 - Additional insured status
 - Waivers of subrogation
 - Insurance considered primary
 - Contract document audit practices

Renewal Strategies

- **Program Design**
- **Understand where costs lie**
 - Expected losses
- **Risk Financing**
 - Guaranteed Cost
 - Retrospective Program
 - Large Deductibles
 - Captive Alternatives
 - Self Insurance

Renewal Strategies

- **Relationship with construction underwriters**
 - **Make presentations to underwriters**
 - **Foster the relationship**
- **Don't trade dollars with an insurance company**
- **Evaluate insurance company financials**
- **Establish goals and objectives for risk management, utilize benchmarking and/or baselining**

Renewal Strategies

- **Experience Rating**
 - **Understand factors affecting ERM**
 - **Perform test ERM**
 - **Frequency and Severity of claims**
 - **Claims meeting to evaluate O/S Reserves**
 - **Manage the process**
 - **Purchase ERM calculation software**
 - **Beware of loss WC rates and impact on ERM**

Renewal Strategies

- **Classification of operations- Autos and WC**
- **Communications and on-line facilities**
- **Consider CCIP alternatives**
- **Alternatives to Letters of Credit**
- **Inter-company Exposures**
- **Rating Basis for liability**

Renewal Strategies

- **Claims Management Practices**
 - **Select an insurance company based upon ability to provide services to mitigate losses, capabilities, experience, and employee turnover in claims, average claim count**
 - **Formalize best practices for claims services**
 - **Return to work programs**
 - **Make the call**
 - **Analyze loss runs for trends**

Renewal Strategies

- **Claims Managementcont.**
 - **Meet quarterly with claims personnel**
 - **Take responsibility for management of claims**
 - **Selection of attorneys**
- **Audit the audits, deductible plans, etc.**
- **Complete Risk Profile Annually**
- **Brokerage Service Agreements**
- **Avoid Dividend plans**

Renewal Strategies

- **Avoid contractual obligations for unusual high limits**
- **Be prepared to reduce limits purchased**
- **Review insurance costs included in bids**
- **Develop well documented database**
- **Consider a one-day boot camp**
- **Review coverages carefully**
- **Coordinate with reinsurance renewals**

Renewal Strategies

- Demand Stewardship reports from all service providers
- Attempt to load up WC in lieu of GL/AL
- Innovation, information and knowledge
- Be Prepared and Don't Assume Anything!!!
- Safety---Safety----Safety

Best Practices for Managing Worker's Compensation Claims

Adjuster Contact

- Same day contact with employee, employer and doctor to determine compensability and injury.
- Regular follow up with all contacts through the life of the claim.

Investigation

- Recorded statements on all lost time cases with prior authorization from the insured.
- Wage information timely obtained and the appropriate indemnity rate determined.
- Outside investigation to be conducted when requested by the insured.
- Indexing of all lost time cases.
- Fraud indicators reviewed on each lost time case and referred to the insured if positive indicators.

Subrogation

- All new claims to be reviewed for potential subrogation (NOTE: advance authorization must be obtained prior to initiating subrogation pursuit.)
- Other sources of recovery such as SIF (Second Injury Funds) or other funds to be pursued aggressively.
- Subrogation handled by primary adjuster.

Reserves

- All initial reserves and subsequent reserve increases will be discussed in advance.
- Initial reserves to be established within five working days.

Best Practices for Managing Worker's Compensation Claims

Medical/Disability/Rehabilitation Management

- All lost time cases will involve aggressive "Return to the Trades/Modified Duty" working with the claimant, doctor and insured.
- Refer select cases to medical advisor at instruction by the insured.
- All disabilities and restrictions determined timely.
- Medical reports obtained promptly and reviewed by adjuster for early disposition.
- Medical management aggressively followed.
- Early nurse intervention, if appropriate, with prior authorization from the insured.
- Prior to releasing TTD (Temporary Total Disability) checks, contact made to confirm employee is disabled.
- Independent medical exams set up when appropriate.
- Assignment to approved rehabilitation vendors when appropriate with prior authorization from the insured.

Negotiations/Disposition

- All settlement authority must be obtained from the insured in advance.
- Claim adjuster to review settlement strategy and plan with insured.
- Negotiation to be conducted promptly and documented in the claim file.

Broker Supervision

- All claims with total incurred values greater than \$100,000 will be duplicated to broker.
- All claims having subrogation potential will be duplicated to broker.
- The insured and broker will conduct quarterly claim reviews with the adjuster and claim supervisor (appropriate claim review books will be prepared in advance by adjuster.)

Best Practices for Managing Worker's Compensation Claims

Customer Relationships

- The insurance company will periodically evaluate all claim personnel in the following areas:
 1. Understanding the Organization and what it does.
 2. Technical expertise.
 3. Working relationships.
 4. Communications.
 5. Timely responses.
- Return phone calls the same day.
- Dedicated adjuster to entities.
- Tailor adjuster workloads to meet the particular needs of individual insureds and the varying degrees of claim complexity.
- Create and maintain a work environment designed to minimize claim personnel turnover.

Five High-Impact Zero Injury Safety Techniques and the Most Significant Sub-Elements

1. Safety Pre-Project/ Pre-Task Planning

Pre-Project

- Safety Goals
- Safety person/personnel
- Preplacement employee evaluation

Pre-Task

- Task hazard analysis
- Task training

2. Safety Orientation and Training

- Site orientation
- Owner involved in orientation
- Safety policies and procedures
- Project specific orientation
- Formal safety training

3. Written Safety Incentive Program

- Cents per hour for workers
- Spot cash incentives used with workers
- Milestone cash incentives given to workers
- End of project incentives given to workers

Five High-Impact Zero Injury Safety Techniques and the Most Significant Sub-Elements

4. Alcohol and Substance Abuse Program (ASAP)

- Screening done for alcohol and drugs
- Screening conducted at random
- Inspection for contraband conducted
- Post accident screening done for all employees
- All project contractors have ASAPs

5. Accident/Incidents Investigations

- Incidents investigated
- Incidents reported to home office
- Accidents without injury investigated
- Project accident review team established for all accidents or incidents