



Insurance & Risk Management Discussion

A review of sample project insurance cost elements and risk management strategies

November 13, 2024

Presenters:

Joshua Fifield, CPCU, AAI
Vice President, Business Insurance
Clark Insurance, a Marsh & McLennan Agency LLC company

Tim McCarty, MSc, CSP, ARM, ALCM, CSSM, ABCP, GradIOSH
Senior Vice President, Safety & Risk Consulting
Clark Insurance, a Marsh & McLennan Agency LLC company

Your future is limitless.™

First and Foremost,
Thank you for all that
you have done, and are
doing, to help Affordable
Housing in Maine!

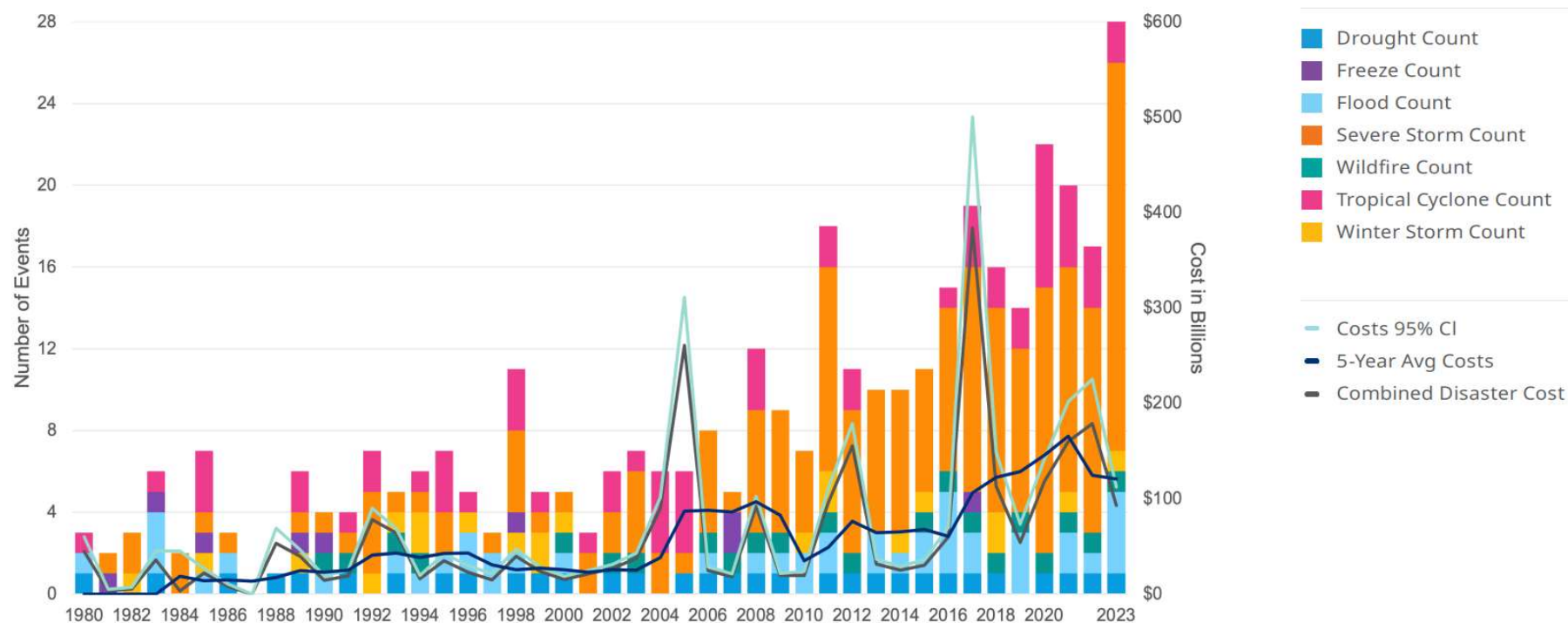
1. Overview of the Commercial Insurance Industry and Claim Trends Countrywide
2. Rating Factors that Impact Insurance Costs
3. Builders Risk Coverages and Cost Overview
4. Risk Management Strategies – during construction and for permanent placement

Agenda

Overview of the Commercial Insurance Industry

Natural disasters on the rise – frequency and severity is a growing concern

U.S. Billion-Dollar Disaster Events 1980-2023 (CPI-Adjusted)

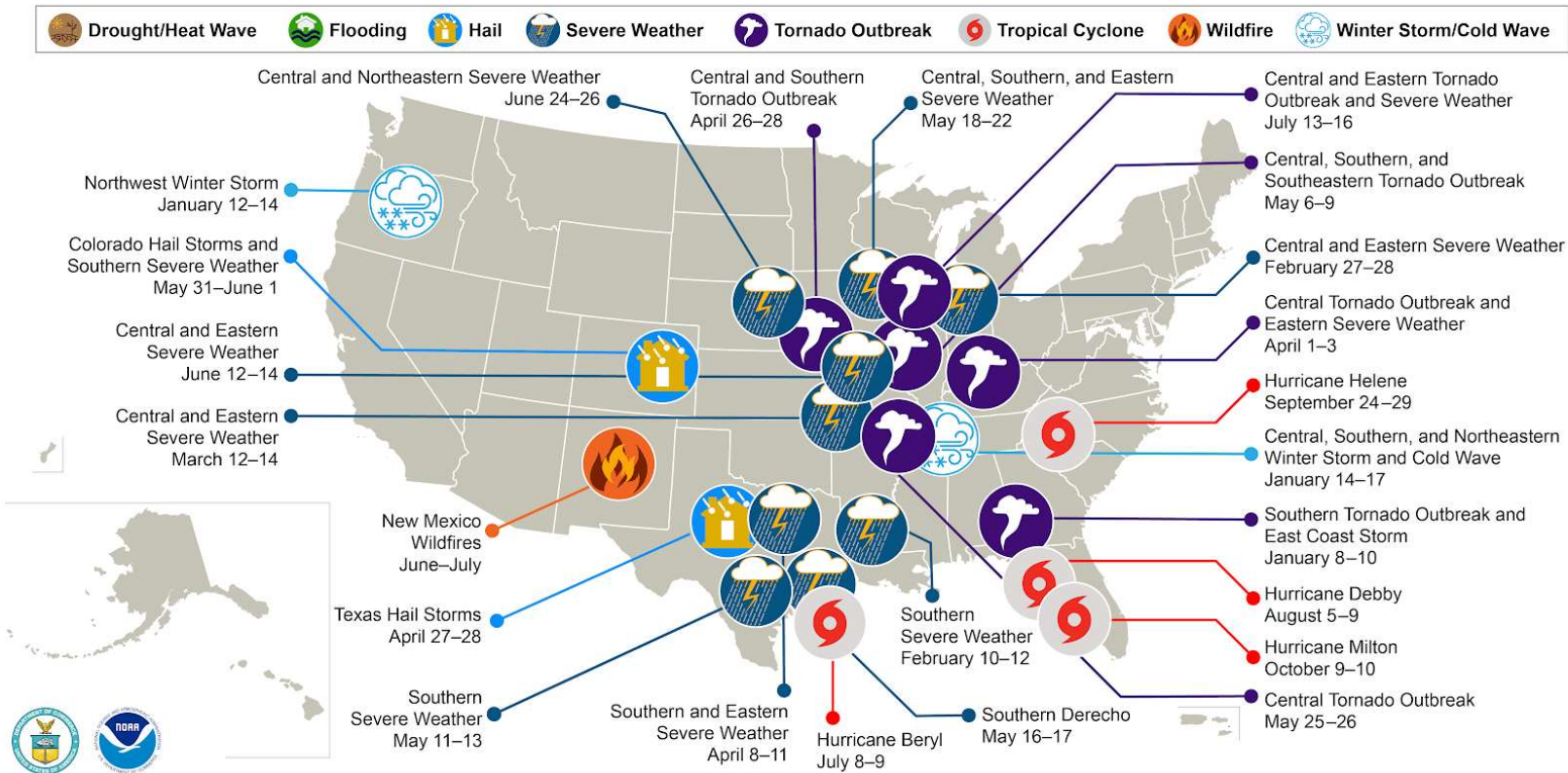


Source: <https://www.ncei.noaa.gov/access/billions/time-series>

Marsh & McLennan Agency LLC

Overview of the Commercial Insurance Industry

U.S. 2024 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 24 separate billion-dollar weather and climate disasters that impacted the United States through October 2024.

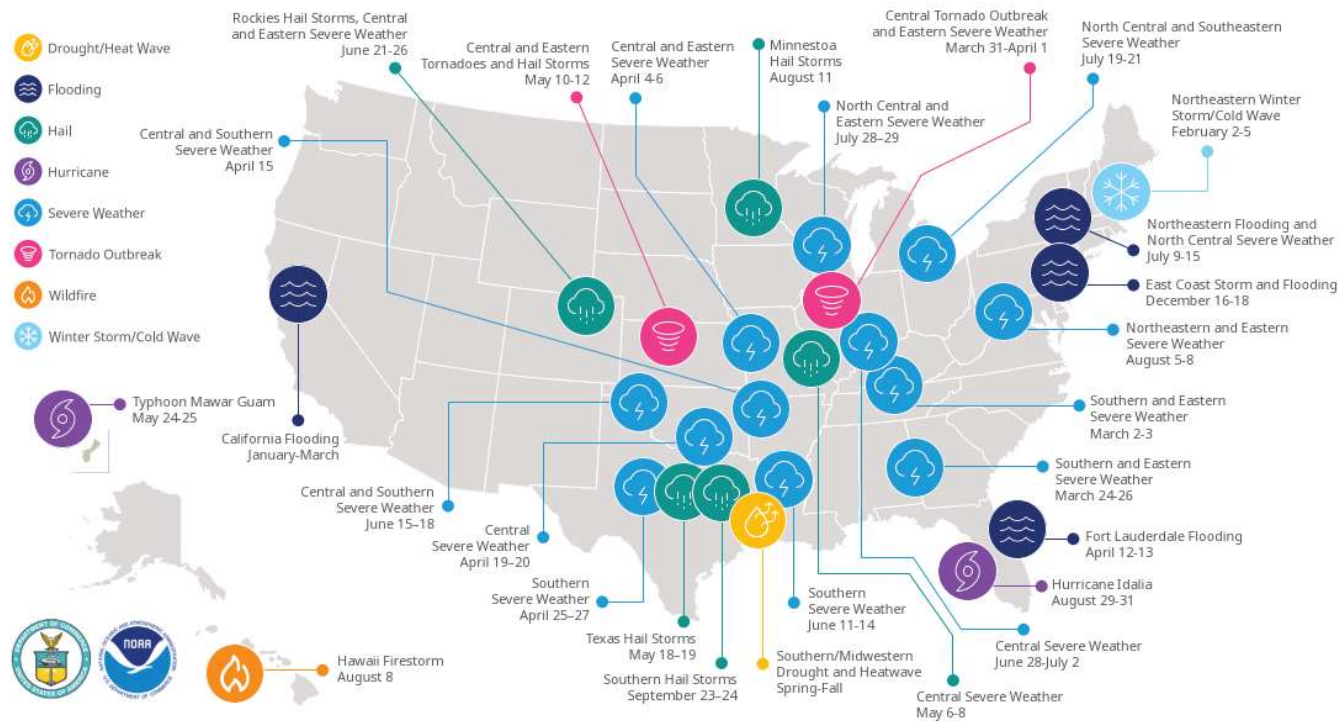
Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2024). <https://www.ncei.noaa.gov/access/billions/>

Marsh & McLennan Agency LLC

Overview of the Commercial Insurance Industry

Natural disasters on the rise – frequency and severity is a growing concern

U.S. 2023 Billion-Dollar Weather and Climate Disasters



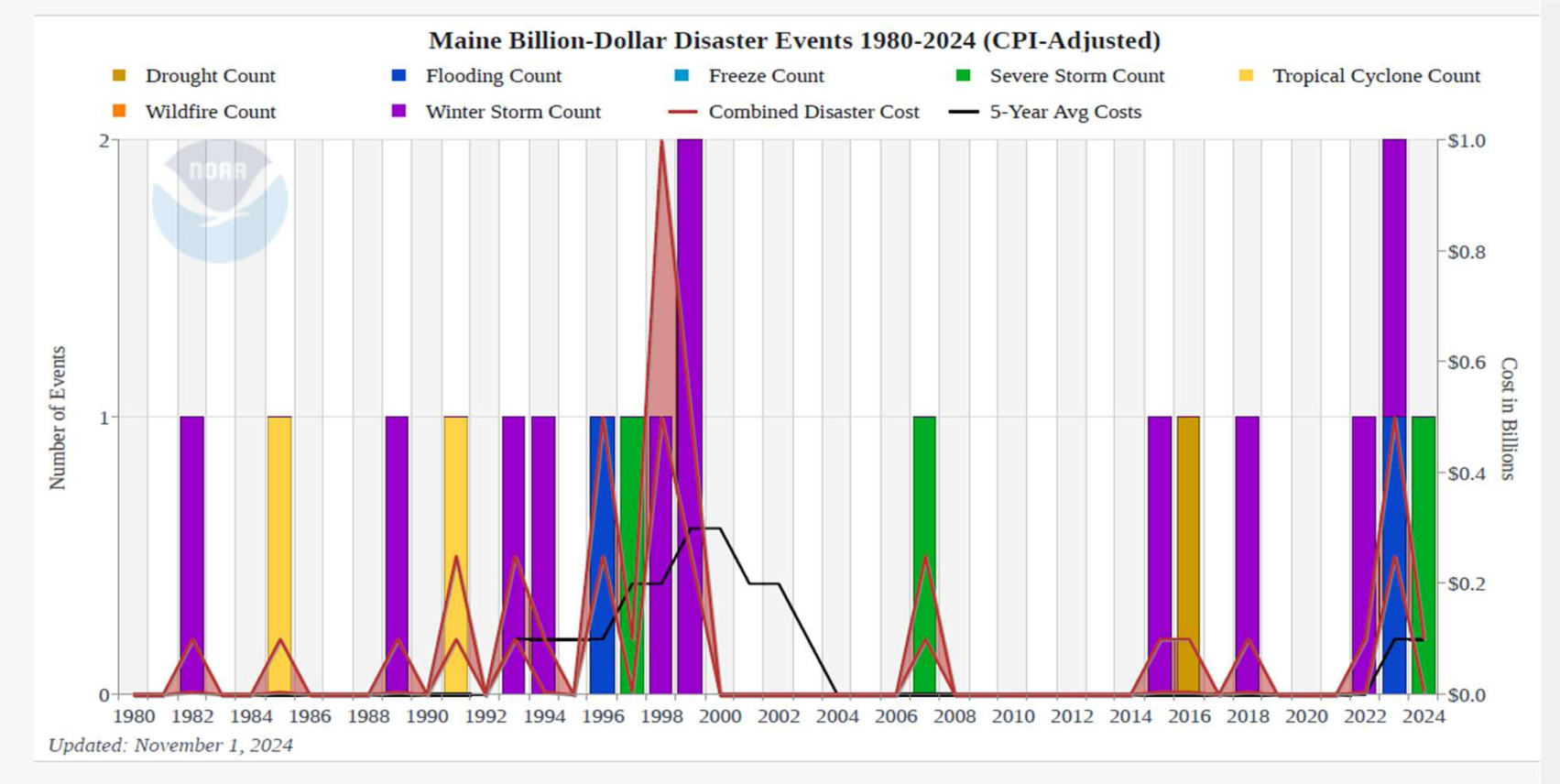
This map denotes the approximate location for each of the 28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.

Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2023). <https://www.ncei.noaa.gov/access/billions/>

Marsh & McLennan Agency LLC

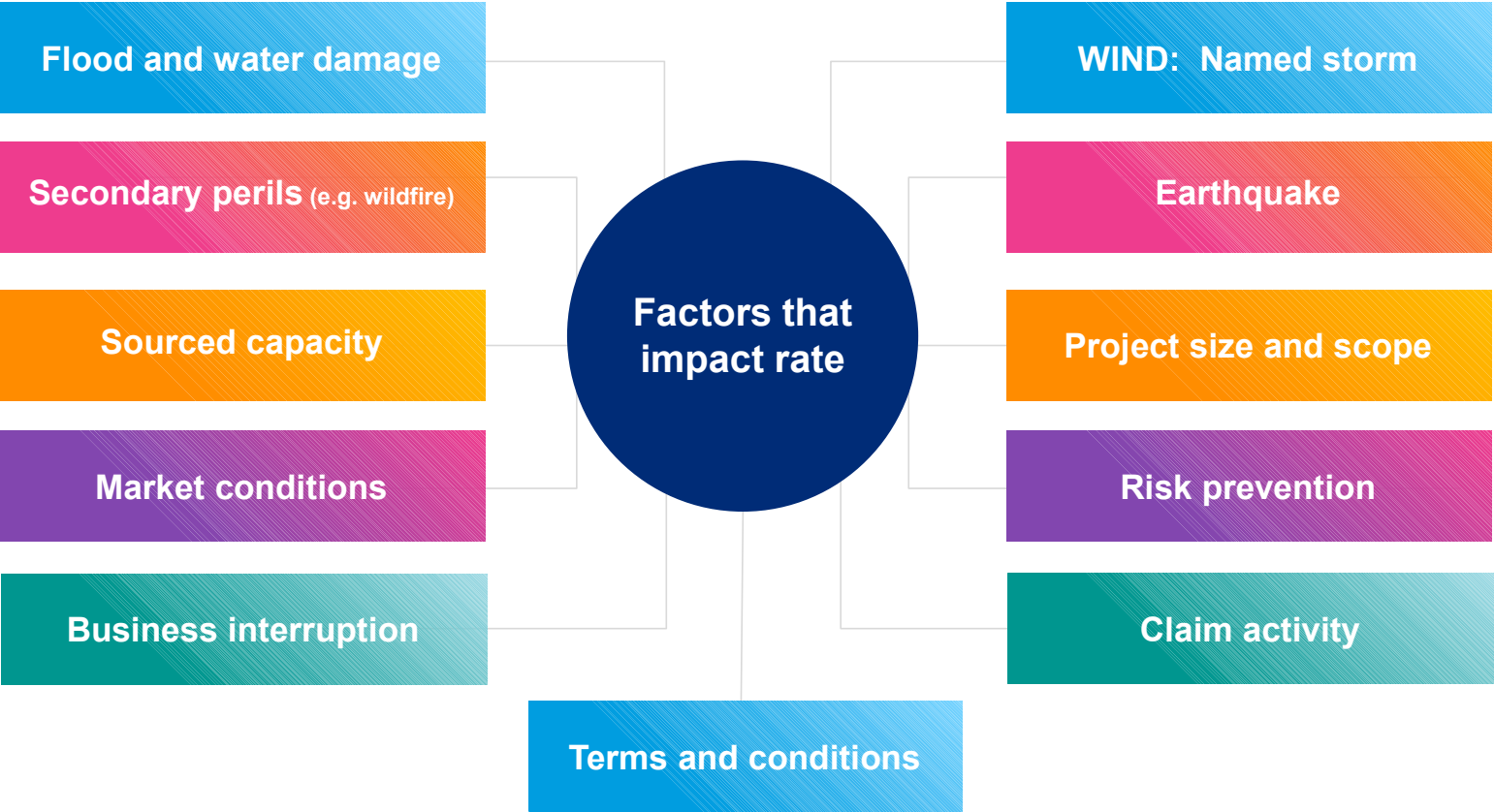
Overview of the Commercial Insurance Industry

Natural disasters on the rise – frequency and severity is a growing concern



Source: NOAA National Centers for Environmental Information (NCEI)
Marsh & McLennan Agency LLC

Rating Factors that Impact Insurance Costs



Builders Risk

Project Insurance Focus on Builders Risk



Builders Risk

Property related coverage for the project. General Liability not included, covered separately.



Hard Costs

Sum of the total completed value of the project, including site work, labor, building materials, developer fees, impact fees, contingency, profit, etc.



Soft Costs

Sum of items likely paid prior to construction: advertising & promotional expenses, construction loan interest, architect, engineer & consulting fees, real estate & property tax assessments, commissions or fees for lease renegotiations, insurance premiums, legal & accounting fees, license & permit fees, extended general conditions, etc.



Business Income and Rental Income

Lost revenues from construction delays and expenses that continue post-loss, including expenses incurred to reduce or avoid a delay in opening.

Builders Risk

Hard Cost Premium Structure

How the Building Construction Category Type of the Project factors into the cost structure

– Hard Cost Rates sorted lowest to highest by building type:

Fire Resistive & Modified Fire Resistive

- 2+ hour fire resistance rating.
- Example: Steel, exterior walls, floors and roof of masonry or fire-resistive materials.

Masonry Non-Combustible

- At least 2 hours of fire resistance rating.
- Example: Brick, Concrete Block, Stone, Precast.

Joisted Masonry

- At least 1 hour of fire resistance rating.
- Example: Exterior walls are masonry, interior floors and roof trusses are wood/combustible.

Wood Frame

- Example: Exterior and Interior walls are wood or other combustible materials.

Builders Risk

Hard Cost Premium Structure

How the Building Construction Category Type of the Project factors into the cost structure

- **Other Construction Types**

- **CLT:** Depending on the type of engineered Cross-Laminated Timber this material could be considered to have a rate between Fire Resistive and Joisted Masonry depending on the fire resistance rating
- **Modular:** Depends on the type of materials used, how/where it's constructed (factory) and transported for final construction
- **Tempered Glass:** Heat-treated for extra strength and double-sided

- **Other Factors impacting project insurance costs:**

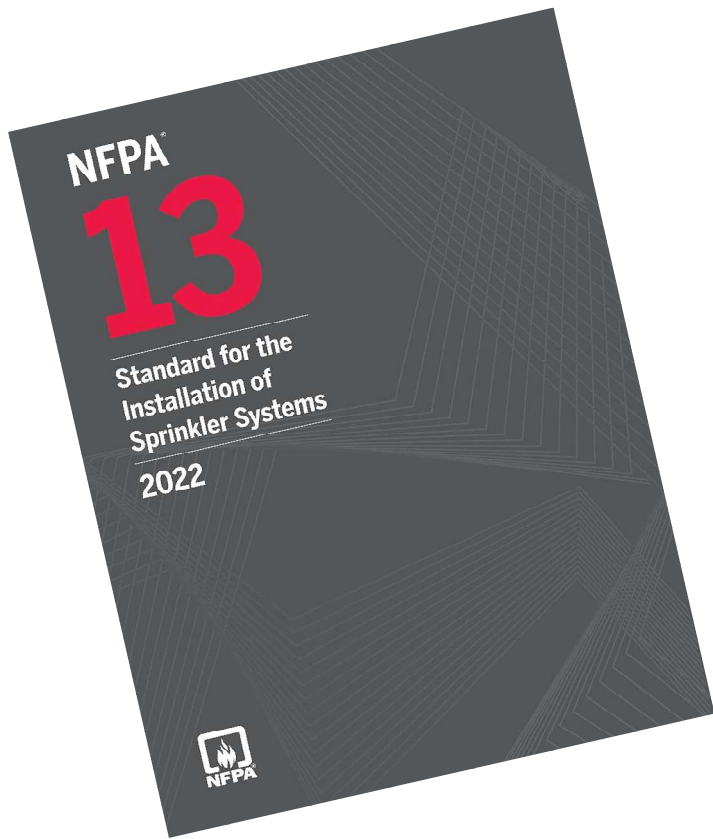
- **Distance to the Coast**
- **Project Size & materials**
- **Public Fire Protection Rating**
- **GC's experience with similar projects**
- **Project Safety**
- **Sprinklers**
- **Occupied vs. Non-Occupied**

Risk Management Strategies: During construction and for permanent placement



National Fire Protection Association Code 13 & 13R

Property and Occupant Protection vs Occupant Protection Only



During Construction

Working With a Strong Partner

- Water Mitigation Plan
- Site Security
- NFPA 241-2019: Standard for Safeguarding Construction, Alteration, and Demolition Operations

❖ Fire

- Cooking
- Hot Work
- Smoking
- Arson



Completed Property

Structure

- Preventive Maintenance Program
- Automatic Sprinkler System
- Water/Freeze Detection
- Inspections

Liability

- Slips, Trips and Falls
 - Exterior Walkway Surfaces
 - Interior Walkway Surfaces
- Exits





Your future is limitless.SM

This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Marsh & McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as consultants and are not to be relied upon as actuarial, accounting, tax or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially affected if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change. d/b/a in California as Marsh & McLennan Insurance Agency LLC; CA Insurance Lic: 0H18131. MarshMMA.com

A business of Marsh McLennan

Copyright © 2024 Marsh & McLennan Agency LLC. All rights reserved.