



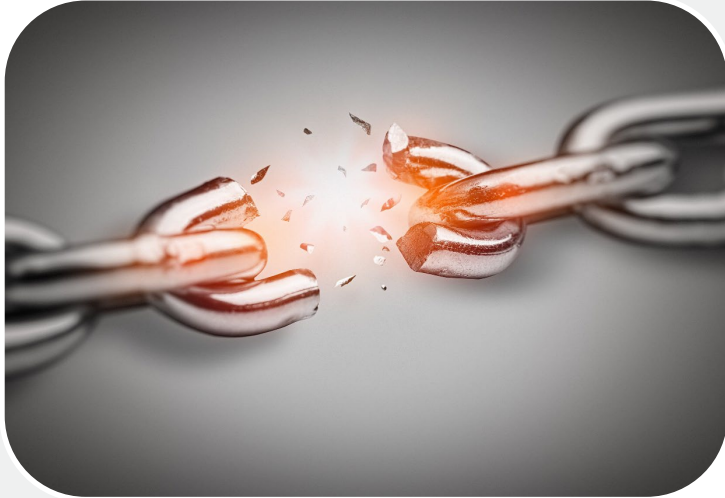
MANAGING CONSTRUCTION RISK IN THE CURRENT ECONOMIC ENVIRONMENT

Builders Risk Program Manager, Jeff Benson

December 14, 2022

CURRENT ECONOMIC TRENDS

Risks for homebuilders



**Supply chain
disruption**



**Worker
shortages**



Inflation

Trends
have
led to:

- Negative financial performance
- Lack of quality control *e.g. non-skilled labor, lower quality materials*
- Increased insurance premiums

RAMIFICATIONS

- Projects are taking longer to complete and completed structures remain in inventory for longer.
- High value homes being built in ISO Protection Class 9 & 10 territories.
- Projects using modular frame are experiencing large losses.
- Inaccurate insurance to value.
- As a result, many insurers are withdrawing high value frame capacity, deductibles have increased and rates have increased significantly.



LOSS TRENDS



Theft



Soft costs



Water
damage/intrusion



Fire

CURRENT STATE OF HOUSING IN THE U.S.



Housing starts in October 2022 were at 1,425,000 (8.8% below October 2021)



Single Family Starts were at 855,000 in October 2022 (lowest since May 2020)



US housing market has been hit by soaring prices of materials and rising mortgage rates

CURRENT STATE OF HOUSING IN THE U.S.



Monthly supply of new houses increased to 9.2 months' supply in September 2022



The median existing single-family home price was \$391,000 in September 2022 (up 8.1% from Sept 2021)



The median size of a new single-family home sold in 2021 was 2,356 square feet.



MANAGING THE CURRENT RISK LANDSCAPE

- These challenges are impacting the construction industry.
- According to Chamber of Commerce, only 75% of small construction businesses are estimated to survive their first year in business.
- Your clients need to be realistic about how long their projects are going to take.



MANAGING THE CURRENT RISK LANDSCAPE

Builders need to....

- Plan as far ahead as possible
- Monitor increased costs and adjust insurance limits
- Maintain inventory control
- Emphasize jobsite loss control
- Run background checks on subcontractors
- Not compromise on the quality of building materials
- Ensure expensive/flammable materials are not left on site.

HOW TO GET THE RIGHT POLICY FOR YOUR CLIENTS

- Make sure clients have accurate insurance to value on their policy – it's vital to have full coverage!
- Gain a thorough understanding of the product and policy form – they vary from insurer to insurer.
- Provide underwriters with as much detail as possible to get the best options for your clients.
- Understand and thoroughly explain all deductibles.
- With homes in inventory longer, be mindful of when coverage ceases.



“PASS THROUGH” RISK

What’s a “pass through” risk?

A “pass through” risk is any case submitted into V² that does not generate an underwriting hold and flows from quote to bind to issue.

If your client does not need to increase the limit of automatic additional coverages or add any optional coverages, and you can answer, “yes,” to the following questions in your V² submission, your quote will not generate an underwriting hold and you will receive your quote in minutes.

Q. Is the project ground-up, new construction?

Q. Is the project less than 30% complete?

Q. Does the project type fall within protection classes 1-7?

Q. Is this a new construction project with a completed value of:

- \$1.5 million or less (coastal)

- \$3 million or less (inland)

Q. Does the builder, remodeler, owner or general contractor have at least 2 years’ experience?



QUESTIONS?



YOUR EXPERIENCED BUILDERS RISK TEAM



Jeff Benson

Senior Underwriting Manager

jeffrey.benson@victorinsurance.com

(904) 607-4916



Donna Berry

Senior Underwriter

buildersrisk.us@victorinsurance.com

(800) 944-7472

General telephone: (800) 944-7472

General email: buildersrisk.us@victorinsurance.com



THANK YOU