



The Office of Construction Safety and Health

At the National Institute for Occupational Safety and Health—NIOSH



Webinar Series:

Insurance and Workers Compensation for Construction—Untangling the Mysteries

Webinar 2: How are construction projects insured: Part 1. Large Projects

February 8, 2017

The findings and conclusions in this presentation were developed in partnership with AIG, and they have not been formally disseminated by the National Institute for Occupational Safety and Health, and should not be construed to represent any agency determination or policy.



Moderator

Christine M. Branche, Ph.D., FACE
Principal Associate Director and Director, Office of Construction Safety and Health
National Institute for Occupational Safety and Health

Featured Presenter



Sean M. Coll, CSP, ARM

Assistant Vice President, South Zonal Manager
Liability Risk Consulting- Client Risk Solutions
American International Group, Inc. (AIG)





**NIOSH Construction Project Insurance
Webinar
Part 1: Large Projects
February 8, 2017**

Sean Coll- AIG, South Zonal Manager

Understanding Insurance

Insurance agents vs brokers

Coverage towers

Types of programs

Types of coverage

State rates and class codes

Experience modifiers



Agents vs. Brokers

Insurance Agent

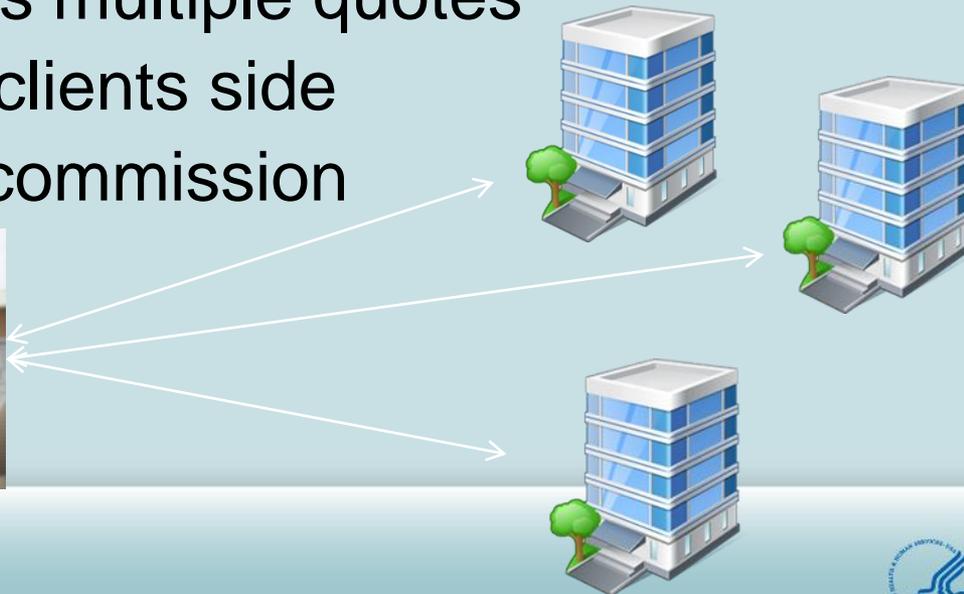
- Usually tied to one or two insurance companies
- Decreased market availability
- Fewer options for their clients
- On the insurance carriers side
- Paid a fee by carriers



Agents vs. Brokers

Insurance Broker

- Works with multiple insurance companies
- Searches market for best offerings and deals
- Can offer wide range of insurance products
- Increased flexibility for their client
 - Able to mix and match for clients needs
- Provides multiple quotes
- On the clients side
- Paid a commission

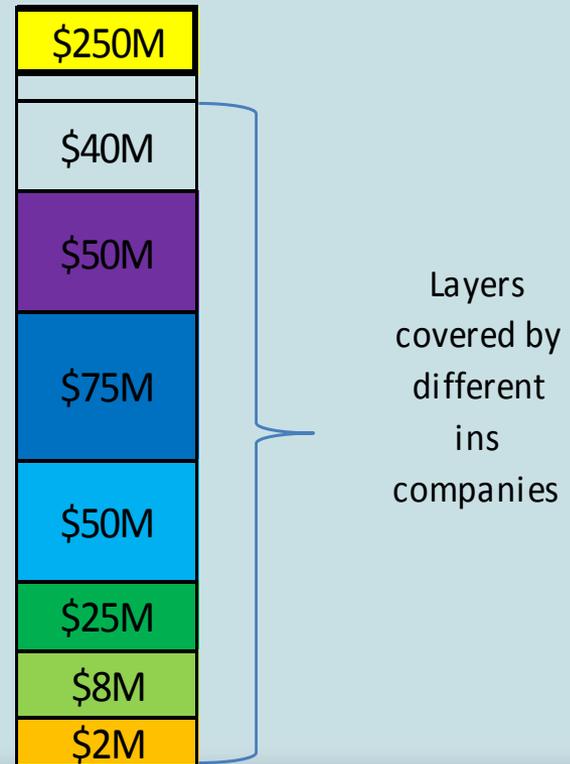


WC Coverage Towers

Small Contractor



Large Contractor



Program Types

Guaranteed Cost

Insurance company pays from first dollar

- Premiums are higher because the insurance company pays everything
- Reduced likelihood of insured caring about safety and reduction of losses

Loss Sensitive

Insurance company and insured share in payment of losses

- Deductibles (similar to your auto policy)
- \$250K, \$500K, \$750K, \$1M
- Insured assumes some of the financial risk
- More likely to have a stronger safety program and pay attention to losses

Coverage Types

Workers Compensation

- Covers the injured employee

General Liability

- Public, third-party liability, completed operations

Automobile

- Physical damage and bodily injury from auto incidents

Common Coverages

Small Contractor

Workers Compensation
General Liability
Automobile Liability
Professional Liability

Large Contractor

Workers Compensation
General Liability
Automobile Liability
Builders Risk
Performance Bonds
Professional Liability
Directors & Officers Liability
Architecture & Engineering
Cyber

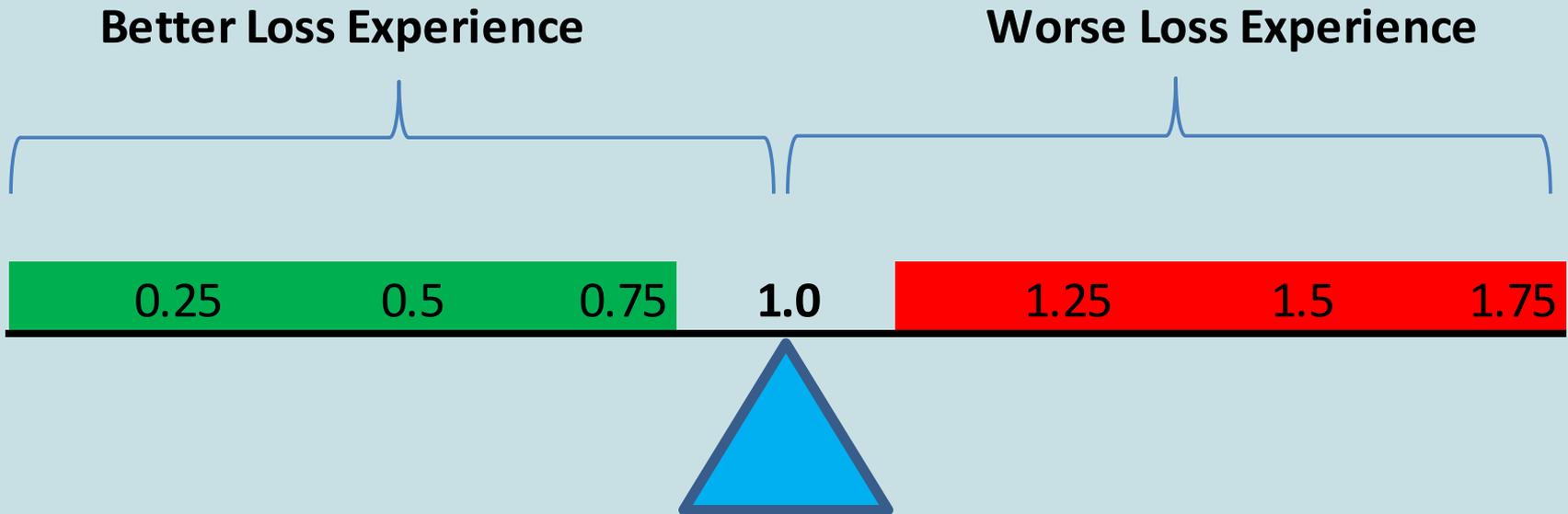
Insurance Rates

Class Code	Term Exposure	Georgia Rate	Premium per \$100 of Exposure
5190 (Elect wiring)	11,000,000	6.29	691,900
5190F	0	9.18	-
5190V	0	6.29	-
5606 (Proj Mgr)	750,000	2.57	19,275
8227 (Const/erection)	100,000	11.35	11,350
8742 (Salespersons)	650,000	0.51	3,315
8810 (Clerical)	1,200,000	0.25	3,000

Total= \$728,820



Experience Modifiers (EMR)



Manual Premium x Experience Modifier = Modified Premium

\$100,000 x .67 = \$67,000 or \$100,000 x 1.21 = \$121,000

***EMR is based on the three prior policy periods loss data**

Splitting Insurance Costs on Projects

Typical Owner-GC-Subcontractor relationship

Owner Controlled Insurance Program (OCIP)

Contractor Controlled Insurance Program
(CCIP)

Captives



Typical Owner-GC-Sub Relationship



New auto plant



GC



Sub



Subs bid work



Subs wins bid



Varying strength of GC safety pgm



All subs provide proof of insurance policies to GC



Owner Controlled Insurance Program (OCIP)



New auto plant



Owner requires GC enforce a strong site safety pgm for all contractors

A contractor's claims experience on the OCIP will impact their own insurance mod rate!



Auto mfg (*owner*) buys WC & GL insurance for entire project



WC & GL claims from project are handled by the owner's insurance policy



GC & subs remove WC & GL insurance costs from bid



Contractor Controlled Insurance Program (CCIP)



Contractor buys WC & GL insurance for several projects they will complete



All subs remove WC & GL insurance costs from bids



Contractor enforces strong site safety pgm for all contractors



WC & GL claims from project are handled by the owners insurance policy

A contractor's claims experience on the OCIP will impact their own insurance mod rate!



Captives



Additional Captive Information

The Captive may purchase external resources such as:

- Loss Control
- Legal
- Excess Policies
- Bonding
- Surety

Type of operation, selective, rules, payout

High \$ figures (what's the low end of a captive to make it work?)

Data Collected by Insureds

Class Codes

- National Council on Compensation Insurance (NCCI)
- States may generate their own rates

Expected Payroll or Revenue

Credits/Debits

- Info about desirable and undesirable behavior
 - E.g. drug testing

Loss Data

Class Code	Georgia Rate
5190 (Elect wiring)	6.29
5190F	9.18
5190V	6.29
5606 (Proj Mgr)	2.57
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8810 (Clerical)	0.25

Financial Data Analysis

Based on Contractor's Performance

- Loss history
- Company's financials
- Financial performance on prior work

Based on Work Activities (Exposures)

- Steel erector- \$20/\$100 of payroll
- Demolition contractor- \$15/\$100 of payroll
- Landscaper- \$10/\$100 of payroll
- Carpet installer- \$ 7/\$100 of payroll

Safety Data Analysis



Exposure Control

- Do they have an effective safety program?
- Do they implement it on all projects?
 - Strong and weak superintendents
- Do they update it regularly?
- Proper equipment provided, stored, serviced, and maintained?
- Do they train their employees for the exposures?

Helps Guide Risk Consulting or Loss Control

Risk Consulting & Use of Data

Loss Runs

- Previous insurance company's and our own data

OSHA establishment search for citations (www.osha.gov)

Safer System

- Federal Motor Carrier Safety Administration
- (<https://safer.fmcsa.dot.gov/CompanySnapshot.aspx>)

Focus on Contractors Problem Areas

Prioritize Our Focus

Contractor Efforts

- May request help from insurance company to effect change

Sample Loss Data

Cause Code	2014-15		2015-16		2016-17		Total	
	#	\$	#	\$	#	\$	T#	T\$
Strain	17	411,450	33	236,927	29	58,112	79	706,489
Struck by	13	280,448	26	4,733,056	9	47,290	48	5,060,794
Slip/trip/fall	16	224,233	10	29,669	11	67,878	37	321,780
Cut/punctured	8	456,035	13	8,817	10	17,085	31	481,938
Strike against	10	10,265	3	112,539	2	106	15	122,910
Fall	2	2,642	7	203,920	5	6,879	14	213,441
Caught between	2	5,610	7	19,526	5	3,985	14	29,121
Foreign body in eye	2	962	8	5,792	4	5,761	14	12,515
Unknown					3	131,692	3	131,692
Motor vehicle incident			2	205,498			2	205,498
Heat exhaustion			1	716			1	716
Heat exhaustion					1	490	1	490
Electric shock			1	408			1	408
Inhalation exposure					1	144	1	144
Dehydration					1	-	1	-
Total	70	1,391,645	111	5,556,868	81	339,423	262	7,287,936



Sample Loss Data

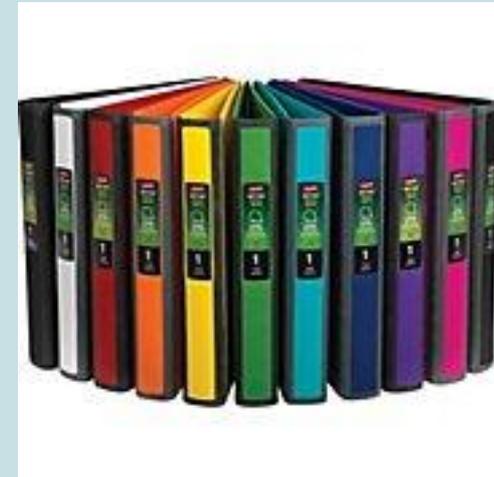
Contractor	2014-15		2015-16		2016-17		Total		Man hours	Freq/10K MH	Sev/10K MH
	#	\$	#	\$	#	\$	T#	T\$			
Contractor 1	2	56,346	1	-			3	56,346	7,043	4.26	80,003
Contractor 2					1	10,214	1	10,214	2,809	3.56	36,360
Contractor 3			1	27,445			1	27,445	3,556	2.81	77,181
Contractor 4			1	2,014			1	2,014	6,889	1.45	2,923
Contractor 5	1	-					1	-	8,506	1.18	-
Contractor 6	2	2,181	1	1,106			3	3,287	27,541	1.09	1,193
Contractor 7			11	176,999	29	190,626	40	367,626	425,230	0.94	8,645
Contractor 8	2	11,051	1	370			3	11,422	33,761	0.89	3,383
Contractor 9			2	153,238	2	466	4	153,704	45,898	0.87	33,488
Contractor 10	35	995,565	35	4,444,621	6	5,918	76	5,446,104	910,367	0.83	59,823



Risk Consulting & Use of Data

Provide Solutions to Prevent Loss

- Evaluate effectiveness of safety programs
- Engineer out, administrative controls, PPE
- Identify weak links in safety program implementation
 - Superintendents
 - Subcontractors
 - Specific employees
- Train or improve training for employees



If you don't have losses, you don't have severity

- Focus on the frequency



Bring on tomorrow

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6,004	128	20.7K	66	0

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Thank you!

Christine Branche, Ph.D., FACE

Principal Associate Director, NIOSH

Director, Office of Construction Safety and Health, NIOSH

cbranche@cdc.gov

