

Strength in Numbers

BY GREGG BUNDSCHUH

AISC continues to explore a group insurance and risk management program for members.

LAST YEAR, we wrote about forming a group insurance program for AISC. At that time, workers compensation costs were continuing to rise as claims escalated, the use of technology and building information modeling (BIM) was expanding the risks of traditional service and products, and clients were demanding greater precision and faster delivery. The business of steel fabrication was changing quickly, with more subtle and expansive risk issues. And none of these factors has changed.

If anything, the waters are getting murkier. The use of BIM is accelerating faster than most imagined. Litigation is increasing. Workers compensation problems are on the rise. And the state of the economy makes managing these and other risk issues even more important.

Managing these risks through shared best practices and a comprehensive, cost-effective insurance program is more important than ever before, according to a subcommittee of the AISC Board of Directors. That conclusion resulted in a decision to explore the development of an AISC group insurance program for its membership. The committee worked with an insurance consultant for six months, evaluating the state of the insurance market for steel fabricators, the receptivity to a group program by leading construction insurers, and the ability of such a program to deliver quality coverage at an affordable price.

What's Holding Us Back?

The short answer is you. AISC needs credible and comprehensive claims data from a large enough group of companies—including yours. The insurance community regards most steel fabricators as “high-risk” businesses and establishes premiums on this basis. However, the insurance community does not aggregate loss experience ratings of steel fabricators and therefore has no real historical data to from which to draw a different conclusion.

In order to move forward, we need to gather exposure and loss information from fabricators, as outlined in the recent email from AISC.

The committee believes that the aggregated information will enable AISC to form a group insurance program and justify better insurance rates to much of the membership. Importantly, the committee also has determined that such a program can provide additional risk management resources to the membership and become a focal point for the development of future industry best practices. Such a program dovetails and leverages AISC certification and the Steel Solutions Center.

What About the Economy?

While the economy does show signs of improvement, we are by no means on solid ground. The recovery has been described by many as “fragile.” In spite of this—or perhaps because of this—AISC remains firmly committed to putting together the type of group insurance program that will

How You Can Help

If you are an AISC full member and concerned about your future group insurance costs, consider helping AISC establish an appropriate baseline for its program. Please contact Carly Hurd, hurd@aisc.org, membership director, for more information and to find out how you can help by providing data.



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provide members with a more cost-effective means of acquiring insurance coverage.

Developing a group insurance program is often the strategy of businesses perceived as high-risk by the insurance industry. If one high-risk business tries to buy insurance from a highly rated, front-line insurer, coverage can be either very expensive or not available—even if the business has an excellent safety record. The insurer figures that one catastrophic loss will wipe out any profit for this year and far into the future. On the other hand, if many high-risk businesses band together, the same front-line insurer sees more premium and more potential for a profitable class of business. One catastrophic loss—or even two or three—balanced against a lot more money looks more attractive.

What's in it for Your Company?

As we noted, the market and risk issues continue to expand. Claims arise now out of exposures that didn't even exist 10 or 20 years ago. Having your own group program means your company will have insurance policies tailored to the needs of steel fabricators. Some of those enhancements include:

- Coverage for exposures arising from the AISC *Code of Standard Practice*;
- Connection design liability, including the exposures typified by the Kansas City Hyatt Regency catwalk collapse;
- Coverage for the complex and interwoven risks of BIM;
- Modification or even elimination of certain common general liability exclusions; and
- Coverage for such executive risks as employment practices liability and fiduciary liability.

The Time Is Now

There are many benefits to having a solid group program in good times and in bad, whether the economy is soaring or sinking and whether the insurance industry is a buyer's or a seller's market. But it is even more beneficial when the economy is shaky and there may be more insurers hungry for a sold group program. The only thing holding us back is information, and fortunately you can help solve that problem. **MSC**