



Jennifer Sterling

Restoration Contractors Insurance Do's and Don'ts
Show Number: 704

This week we welcomed Jennifer Sterling to discuss Do's and Don'ts for Restoration Contractors. Many of these lessons learned will be applicable to any type of contractor and even consultants.

Jennifer Sterling has been an Environmental Insurance broker for over 15 years, serving all lines of insurance needs and is licensed in all 50 states. Jennifer knows the insurance risks and exposures in this ever-changing industry, specific to the scope of operations that include but are not limited to fire, water, mold remediation, smoke, dry outs, contents clean-up, hazardous transporting, crime scene clean-up, consulting, sampling, air testing, and asbestos remediation. Jennifer prides herself on attending several trade shows annually and acknowledges the men and women that help to hold the industry to a higher standard while promoting continued education and accreditation.

Nuggets mined from today's episode:

The insurance market is ever-changing.

There are 2500 insurance carriers in the US and only 4-5 have the appetite to write environmental insurance coverages.

It is unlikely that insurance carriers specializing in homeowners' insurance will understand the unique risks and have available the specialty insurance products restoration contractors need: General Liability, Professional Liability & Pollution Liability are the 3 main coverages restoration contractors need. By purchasing specialty insurance packages, contractors can obtain all the coverage they need through one policy making for smoother claims handling in the event of a claim (e.g. multiple carriers arguing with each other regarding coverage, multiple deductibles, etc.)

What is inland marine coverage?

Inland marine coverage protects restoration contractor's property while it is being stored and transported in company vehicles.

What is bailee coverage?

Bailee coverage protects the property of others while it is in your care, custody and control and while you are working on it.

What is the history of pollution exclusion?

The pollution exclusion is the result of exploitation of property damage claims related to asbestos. To limit financial losses, insurance carriers removed coverage from their policies.

Why is pollution insurance important?

General liability insurance policies now exclude pollutants (solids, liquids or gases). Pollution insurance coverage protects contractors in the event they release pollutants during their work.

What are the biggest causes of insurance related litigation in California?

Water intrusion exclusion (e.g. tarp blows off roof of property and additional damage occurs). Vehicles- Repairs are now more costly. There are more accidents due to younger less experienced drivers, texting while driving, looking at Google Maps while driving, etc. Prevent accidents by having passengers assist the driver in parking, navigation, loading and unloading. Box truck coverage was \$1700 per year now \$4000.

Workmens' Compensation is a broken system. It was designed to provide 2/3s of salary and medical expenses while recovering from job injuries. Many *injured people* are abusing the system. Insurance carriers are wary of the following class work codes: 5473 asbestos worker, 9014 janitorial, 5551 roofing. Carriers look at loss runs over 7 year spans. It is important to properly classify your work force. Do not lowball your payroll expectations to try and save money. Try to have a good relationship with your insurance carrier. The insurance auditor is not your friend. Recommends owner is not present during insurance audit, so owner can dispute if needed.

Crime:

- First party dishonesty coverage protects you from employee theft.
- Third party dishonesty coverage protects against crimes against other parties.
- When taking payments from clients, ask for 2 forms of ID.
- Install cameras in and on your property.

What kind of insurance coverage do consultants need? Professional Liability coverage

ROUNDUP-

Jennifer's Tips:

- Don't store wet personal property in storage containers.
- Consider using storage containers to store client's personal property on their premises.
- Keep good payroll records; break out job classifications for workers who do multiple things.

Subcontractors:

- Due to "water intrusion exclusion" only use subcontractors to patch and tarp roofs.
- Do your due diligence when hiring contractors. 1099ing subcontractors is insufficient.
- Require subcontractors to indemnify you. Require subcontractors to provide you with Certificates of Insurance with your form as a named insured.

Employees:

- Drug test employees.
- Pull motor vehicle reports on all employees.
- Do background checks on employees before hiring.

Don't be a "paper contractor"

- Control your work sites.
- Insurance carriers won't insure "paper contractors"

Financing- Insurance premium financing is available through finance companies.

Z-Man signing off

Trivia

Name the high profile insurance claim in which a “retroactive insurance policy” was sold after the loss, 30 parties paid \$5K each into a special fund to build a courtroom large enough to hold the trial, champagne, rock music and laughter filled the courtroom when the judge adjourned the proceedings having received a T-shirt inscribed in Latin with the phrase “you can never have enough insurance”?

Answer MGM Grand Retroactive Insurance Case