

# Eight ways an insurance broker can help trade contractors win business

By  
Joseph E. Rueter

Complying with bidding requirements, contract administration, attention to detail, thoroughness, responsiveness, safety, budget, and timeliness are huge parts of a General Contractor's (GC) job. That's why when evaluating bids from subcontractors, GCs look at much more than the cost. In selecting the subcontractors, GCs consider quality of work, safety record, including Experience Modification Rate (EMR) and OSHA compliance, expertise, workforce training, time efficiency, contract management, and reputation as well as the competitiveness of the bid.

While subcontractors can confidently present their expertise, experience, and quality of work, it is often in the areas of safety, experience modification rating, OSHA compliance, and contract management that they lack expertise. Insurance brokers can provide subcontractors with valuable advice on how to strategically position themselves in these areas. Here are eight ways:

**1. Reduce the EMR.** The EMR, Experience Modification Rate, has become a safety indicator of contracting risk, not only for public sector jobs but also for private owners and GCs. An EMR that exceeds 1.0 means lost work opportunities. Top GC's, particularly the most profitable pharmaceutical industry work, expect subcontractors to maintain a credit EMR to qualify for work.

Capable insurance brokers will review existing claims and loss reserves, job classification codes, and the data provided to the rating agency to be sure the EMR is correct. Then they work with the subcontractor to reduce the cost of claims, properly investigate accidents, and successfully execute a comprehensive safety plan.

**2. Implement a return-to-work program (RTW).** The longer an employee is out with an injury, the higher the cost, adversely affecting claim reserves and the EMR, as well as increasing the likelihood of litigation. RTW programs provide a means for employees to transition back into their full duty jobs with responsibilities and tasks modified for short periods of time. Knowledgeable brokers can help set up modified assignments, use evidence-based guidelines to establish realistic time frames, and help communicate the program to employees. Such programs send an important message to GC's, as well as all employees, that the subcontractor values their workforce and that safety is a priority.

**3. Establish early claims reporting.** Competent brokers know the adage "time is money" applies to workers' compensation, as documented in a well-known study by The Hartford. A week's delay in reporting an injury can increase claim cost by 10%; claims filed a month or more after an injury cost 48% more to settle than those reported in the first week. Late claim reporting leads to delays in appropriate medical treatment, which can impact the cost of medical care, recovery time, wage replacement and return-to-work opportunities.

**4. Monitor OSHA standards.** Staying on top of OSHA requirements is a daunting task and the prospects of an OSHA inspection strikes fear in the heart of a subcontractor. In FY2014, the cost of the average OSHA fine increased and there were almost 25% more companies placed in the Severe Violator Enforcement Program. At the same time, safety and health inspections involving temporary workers increased 322%. All of this means subcontractors can benefit from professional guidance in staying OSHA compliant and properly preparing for the possibilities of an inspection.

**5. Strengthen hiring practices.** The shortage of skilled labor in the construction industry is a real concern; however, it is not an excuse for side-stepping the best practices in hiring and retaining competent employees. A well-crafted hiring practice, including pre-employment physicals and appropriate drug testing, is the best way to ensure that you are not hiring your next workers' compensation claim or OSHA violation.

**6. Assure no premium surprises.** Since payroll can fluctuate significantly with work activity and workers' compensation audits are only done once a year, it's important to have a system in place to assure adequate premium deposits, so there are no major surprises at audit time. Responsible brokers offer "pay as you go" payroll reporting, which bundles workers' compensation and general liability premiums with each payroll or periodically check payroll activity to assure adequate deposit premiums.

**7. Assist in reviewing contracts.** While winning the job is the ultimate goal, it's vitally important to understand fully the terms of the contract and your legal and insurance obligations, *before signing the contract*.

Insurance and legal language can make one's eyes glaze over; therefore, it's critical to have a lawyer and insurance broker review the documents, advise you on the issues related to it, make recommendations to provide you maximum protection and help assure compliance. Insurance brokers can also provide sample subcontract agreements and Hold Harmless agreements that are in your favor.

**8. Provide tailored insurance coverage.** Subcontractors should expect brokers to take the time to understand their risk and provide detailed coverage proposals, including alternate quotes for Contractors Professional liability and "your work coverage" and/or construction errors and omissions. Brokers should demonstrate they understand the GC's requirements for bonds and certificates of insurance, can issue certificates quickly, and have expertise in Owner Controlled Insurance Programs.

Joseph E. Rueter, CIC, CPIA, CRIS is President of Rueter Insurance Agency, Inc. of Philadelphia. A Temple University graduate, he has risk management expertise and specializes in construction, food wholesaling, restaurants, nonprofits, and transportation. He can be contacted at [joerueter@rueterinsurance.com](mailto:joerueter@rueterinsurance.com), 215-637-8223 and [rueterinsurance.com](http://rueterinsurance.com).