

# SPECIAL Report



NATIONAL ROOFING CONTRACTORS ASSOCIATION

## INSURANCE OUTLOOK -- 2002

Dear Member:

A combination of a hardening insurance market and huge losses suffered as a result of the terrorist attacks on September 11 has led us to anticipate significant price increases in property, casualty and general liability insurance for 2002. We believe it is prudent for members who are bidding work for 2002 to expect price increases for those insurance lines in the neighborhood of 25 to 30 per cent, and increases in the neighborhood of 20 to 25 per cent for workers' compensation insurance.

Obviously, increases will vary greatly according to the state(s) you operate in, your own loss experience and local market conditions. Still, the events of September 11<sup>th</sup> resulted in losses to the insurance industry of about \$50 billion, and, *by themselves*, account for an increase of approximately 11 per cent across the board in property and casualty insurance..

The NRCA/CNA Group Safety Program remains solid, and will have some important improvements in the next few months. For 2001, premiums for the program increased about 9 per cent over last year, and losses have declined. Still, the program has experienced underwriting losses for the last nine consecutive years, and CNA, in order to maintain its long-term commitment to our industry, has had to make some necessary price adjustments. In New York and West Virginia, for example, CNA has advised that they will not be writing new business or renewing any existing roofing contractor accounts, and contractors in Illinois can expect insurance availability problems along with tighter underwriting requirements because of a recent Supreme Court decision there.

Beginning next year, CNA will be introducing its new roofing contractor-specific policy, with significant improvements in coverage and in options for contractors. We are excited about the new policy, and believe it will satisfy a real need in the marketplace.

CNA estimates that its losses attributable to September 11, exceeded \$1.5 billion, of which nearly \$1.1 billion was handled by reinsurance carriers. The direct impact to CNA was \$468 million. While that is clearly a significant loss, CNA is one of only a few insurance companies that can handle a loss of that magnitude and still remain financially healthy.

Policy changes are being considered by many insurance companies, and you should take them into account as your renewal period approaches. For one, the lingering problem of

construction defects claims still plagues the insurance industry, and contractors, particularly on the West coast, who work on multi-family residential projects will find it increasingly difficult to buy liability insurance without construction defects exclusions.

We are also beginning to see the effects of litigation concerning mold and for exterior insulation finishing systems (EIFS), and members can expect to see some exclusions for mold and EIFS liability in some parts of the country.

In addition, contractors in states with unusual circumstances or an undue amount of litigation are likely to have difficulty getting insurance at all.

Our best advice is to be sure you are working as closely as possible with your insurance broker or agent, and understanding all of your insurance options. More than ever, it is crucial that you have effective risk management and quality control programs in place. Also feel free to call NRCA for assistance; we can help get you answers to all of your insurance questions.

And above all, start your renewal process as early as possible, so that you can make the necessary adjustments in your planning for 2002, and beyond.

Sincerely,

A handwritten signature in black ink, appearing to read "W. A. Good".

William A. Good, CAE  
Executive Vice President