

Construction's New Loss Leader Calls for a Shift in Risk Strategies



During the early 2010s, construction risk professionals had one primary concern: General Liability. Construction defect claims, NY Labor Law exposure, and third-party injury drove loss ratios and underwriting scrutiny. Severity lived in the GL tower, and risk strategies were built accordingly.

Today, the landscape has materially shifted and severity has migrated, in large part, from GL to Auto. Read on to discover strategies to combat rising costs of auto premiums and loss.

The emergence of nuclear verdicts, fueled in part by the post-credit crisis environment and the rise of third-party litigation funding, has fundamentally altered loss severity across casualty lines. US Commercial Auto underwriting losses (all industries) have grown significantly, from \$1.8B in 2020 to \$4.9B in 2024, averaging roughly \$3B annually over the past five years. Factor in rising medical costs and the increasing expense to repair technologically advanced vehicles, and it's easy to see how Auto Liability has become the new loss leader and primary concern for many contractors today.

While construction is not alone in facing these challenges, the industry's reliance on large heavy fleets, often decentralized and difficult to monitor, makes it particularly exposed. Commercial Auto—once a manageable line—has become one of the most volatile drivers of loss. And as auto losses escalate, so too does the pressure on umbrella and excess liability programs.

Technology Is No Longer Optional: Telematics and Cameras

The most effective contractors are embracing technology to fundamentally change driver behavior. Telematics and camera systems, both outward- and inward-facing, are becoming standard. These tools provide real-time insights into speeding, harsh braking, distracted driving, and other high-risk behaviors. But technology alone isn't the solution. The differentiator is what companies do with the data. Driver training programs must be continuous, not one-time events. Formal written policies should clearly define expectations and consequences. Dedicated internal resources are critical to monitor data and enforce accountability.

The best-performing organizations go a step further by incorporating positive reinforcement programs, rewarding safe driving behavior rather than focusing solely on discipline. This approach has proven to meaningfully improve engagement and outcomes.

Equally important is company culture. A top-down commitment to safety, driven by executive leadership, sets the tone. Contractors that truly embrace a "safety first, productivity second" mindset consistently outperform their peers over time.

From a vendor standpoint, platforms like Samsara, Lytx, Motive (formerly KeepTruckin), and Netradyne are leading the market. Each has different strengths, but all provide a combination of telematics, AI-powered video analytics, and actionable insights. Inward-facing cameras help identify distraction and fatigue, while outward-facing systems are invaluable for claims defense and exoneration.

The Right Carrier Matters More Than Ever

Not all insurance carriers evaluate risk equally. Contractors who invest in safety technology and training should expect those efforts to be recognized. A broker with deep market knowledge can align you with carriers that understand and value telematics data, reward proactive risk management and offer meaningful premium differentiation, based on performance.

Without that alignment, contractors often fail to capture the economic benefit of their investments.

Claims Advocacy Is a Competitive Advantage

As many contractors take on higher retentions, effective claims management has become more critical than ever. In today's environment, how a claim is handled can be just as important as whether it occurs at all.

Early identification of potential high-severity claims, particularly in auto, is critical. An experienced and proactive broker brings a disciplined claims advocacy approach that includes:

- Rapid response and investigation
- Preservation of key evidence (including video and telematics data)
- Strategic documentation
- Identification of potential Fraud and;
- Thoughtful selection of defense counsel.

Speed matters. The faster a claim is properly managed and adjudicated, the greater the opportunity to control outcomes and limit escalation.

Captives: A Strategic Alternative

As volatility in the standard market increases, many contractors are exploring captives as a more controlled and strategic approach to risk financing. Captives offer several advantages: greater insulation from traditional insurance market cycles, ability to recapture underwriting profit, enhanced visibility into loss drivers, and flexibility in program structure.

That said, not all captives are created equal. The market is crowded, and selecting the right structure and partner is critical. This is where an experienced broker adds significant value, ensuring alignment between the contractor's risk profile, financial objectives, and the captive's design.

Advanced Structures for Large Fleets

For contractors with significant fleet exposure, more sophisticated solutions are emerging. Multi-year structured programs, such as three-year deals or swing-rated programs, offer an alternative to annual market volatility. At a high level, these structures:

- Spread risk over multiple years
- Align cost more closely with actual loss experience
- Provide greater predictability in budgeting and
- Offer potential for meaningful savings if performance is strong

These programs require careful structuring and underwriting alignment, but for the right organizations, they can be highly effective.

Moving Forward: The Right Partner for the Right Strategy

The construction industry's primary loss driver has changed, but many risk strategies have not kept pace. What was once a GL-driven challenge is now firmly centered on auto and excess liability. The contractors that recognize this shift and respond with discipline, technology, and strategic partnerships are the ones best positioned to outperform. At the center of that effort is the broker relationship. The right partner does more than place insurance. They bring market insight, claims expertise, and access to innovative solutions, from carrier alignment to captives to structured risk programs. More importantly, they work alongside their contractor clients to build tailored strategies that reflect the realities of today's risk environment.

Because in a world where the loss leader has moved, standing still is not a strategy.



About the Author

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