

Insurtech Addresses Industry's Toughest Risks

From construction to cargo to cyber, an array of Insurtech technology solutions is beginning to bring real improvement to risk management strategies.

By Alex Wright



Even in New York's challenging construction market, technology is helping to make risks more appealing to underwriters.

Finding affordable — if any — general liability coverage as a construction firm operating in the State of New York has become increasingly difficult in recent years.

Labor Law section 240/241, better known as the “Scaffold Law,” enacted in the late 19th century, imposes strict liability upon contractors and property owners for “gravity-related” injuries, presuming them to be at fault even if the worker’s negligence contributed to the accident.

In recent years, courts have extended their interpretation of a gravity-related accident, resulting in large settlements. And added to that, injured workers can circumvent the workers’ compensation exclusive remedy doctrine.

The law has also increased moral hazard, raising the likelihood of more injuries and related litigation. That means the cost of insuring a construction project in New York is as much as 10 times higher than in other states, forcing many insurers to scale back their offerings or pull out altogether.

“The law in New York is very much in favor of the worker,” said Adam Schnell, executive vice president, Ethos Specialty Insurance Services, which provides general liability insurance for New York construction. “Essentially it is a workers’ compensation exposure; if you have an accident onsite, such as falling from a height or an object falling from a height injuring a worker, then it is the property owner and/or general contractor who will be held ‘strictly’ liable, often resulting in a multimillion-dollar claim.”

However, help is at hand with a host of new tech tools to help underwriters get a better understanding of worker safety risks and drive more favorable loss ratios.

DATA IS KING

Data is key when it comes to assessing the risk and providing the appropriate cover, according to Schnell. Thanks to advancements in technology there is now more access to information than before, he said.

“In particular, the NYC Department of Buildings has records on safety violations on worksites and related fines and closures,” he said. “In that respect, you can quickly see patterns emerge with companies that try and cut corners to finish the job quicker and at a lower cost and increased margin by flouting safety rules.

“Then there are public information and proprietary sources, which provide data on site inspections and court documents on legal action that has been taken against companies to help you measure the risk. That way you can quickly determine if it’s a risk that you want to insure.”

Schnell said, in theory, this data also helps construction firms with better safety



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— Ann Myhr, senior director of Knowledge Resources, The Institutes

records to get more competitive quotes. Without it, he added, insurers can be pricing themselves out or worse still, leaving themselves exposed to unforeseen claims running to millions of dollars.

Underwriters are also increasingly employing cutting-edge technology to identify and mitigate against the risk, said Martha Notaras, a partner at XL Innovate. At the forefront of this is the use of wearables, which track and provide data on a worker’s movements, including everything from wristbands to environmental sensors for temperature, pollution and even noise, she said.

“These devices can come in many forms; there are wristbands that warn workers if they are near a live electrical wire,” she said. “Then there is a company called GuardHat, which has a device that collects data on activities a worker is doing but, more importantly, ensures they’re wearing a hard hat.”

Other leading technologies, Notaras said, include sensors that monitor particulate levels on worksites and 360-degree cameras that can survey a project’s progress as well as worker safety. All of that information gathered is then stored in a database and can be analyzed by companies, she said.

“All of these technologies can help companies to see where their exposures

SUMMARY

- **Wearables and environmental sensors** are making construction sites safer.
- **Telematics systems help** to reduce commercial auto losses.
- **Big data analysis** helps underwriters select safer risks.



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are, keep track of and improve on them," she said. "OSHA is particularly hot on how long it takes companies to rectify a situation once a problem has occurred, so they can help greatly in that respect."

And companies are already seeing the results, according to Notaras. One worker wearing a Triax tracking device who had an accident was able to

receive treatment 90 percent quicker than if he had not been wearing it, she said.

MAKING OUR ROADS SAFER

Another area where Insurtech is making big strides is in commercial auto, where frequency of accidents has been on the rise year-on-year over the last decade according to the U.S.

Transportation Department, as have the severity and size of payouts. As a result, rates have spiked, some as much as 30 percent, and some of the biggest players have pulled out.

But Notaras said that commercial fleet operators have been quick to adopt devices such as telematics in a bid to improve driver safety. By using the data captured by these devices,

underwriters can then benchmark driver performance against the industry average and other drivers, and be able to better assess the risk, she said.

Then there are semi-autonomous features such as forward collision warning, automatic emergency braking and lane departure warning, which can promote driver safety and reduce accidents, said Ann Myhr, senior director of Knowledge Resources for the Institutes. They are also being used in contractor's equipment including backhoes, forklifts and cranes to improve safety, as are drones, she added.

"Drones/unmanned aircraft are increasingly being used by risk managers, underwriters and claims professionals," she said. "Drones can be used to monitor construction sites and to access difficult-to-reach areas or to evaluate roofs or other elevated structures without the need for physical access."

FROM CARGO SPOILAGE TO CYBER SECURITY

Phil Edmundson, founder and CEO of Corvus Insurance, said that among the latest Insurtech products offered by his company are those that use data captured by sensors monitoring the temperature of goods carried in cargo shipments to detect where spoilages occur. Another application is in cyber insurance where web traffic data is screened for IT security vulnerabilities, he said.

"This data has been around for a long time; we are simply accessing and using it to help improve loss control.

"With our cargo product from our data analysis, if a perspective policyholder is deemed a good risk, then we offer them a broader coverage."

Other areas where Insurtech has helped improve underwriters' understanding of risk is in homeowners' insurance, where the Internet of Things has given greater insight into how people manage their homes, said Notaras.

This includes, for example, having alarm systems enabled so that they know every precaution was taken in the event of a break-in, she said.

"A number of vendors have brought these new technologies to the table, which are now being piloted by companies to help them measure their exposures and make safety improvements," said Marsh's U.S. construction leader, David Marino. "But they are also using this big data to help provide additional benefits including better productivity and billing and to address HR issues." &

ALEX WRIGHT is a UK-based business journalist and former deputy business editor of The Royal Gazette in Bermuda. He can be reached at riskletters@lrp.com.



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