

INSURICA

CONSTRUCTION TIMES

Providing Quality Insight to the Construction Industry

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2021 CONSTRUCTION INDUSTRY TRENDS

The COVID-19 pandemic has impacted many businesses across a variety of industries, forcing them to rethink their daily operations to ensure the safety of their employees and the general public. This is no different for construction firms, where COVID-19 has led to project delays, significant job loss, and unprecedented uncertainty.

Many of these trends could affect businesses long term, making it all the more important for firms to stay abreast of where the industry is heading.

ECONOMIC OUTLOOK

Business has been good for most construction firms over the past decade. In general, demand has been high, and a continued push of infrastructure improvements has kept firms busy. That was until COVID-19 hit and disrupted businesses across the country.

Among other things, the pandemic has led to widespread business shutdowns, introduced short- and long-term uncertainty, impacted project schedules, and disrupted supply chains. Such shutdowns could lead to further erosion of consumer confidence or even another round of mass layoffs.

However, even without COVID-19, the construction market was expected to harden moving into 2021. This shift was largely due to catastrophic loss activity associated with natural disasters, the increased cost of litigation and so-called mega claims—claims over \$3 million. These claims were particularly prevalent in the construction industry, which accounted for 37% of claims between \$3 million and \$5 million, 42% of claims between \$5 million and \$10 million, and 46% of claims above \$10 million.

Compounding these concerns, the cost of building materials, such as concrete and brick, is set to rise this year. Over the last year, the cost of lumber and plywood alone has increased by 26.7%.

As a result of such disruptions, firms are expected to face increased pressure on their bottom line. It's crucial for businesses to prioritize efficiencies and cost-saving opportunities. Overall, businesses need to focus on prevention, working with their trusted insurance advisor and leveraging data and analytics to anticipate exposures and make educated decisions on how to address them.

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LABOR TRENDS

In recent years, hiring for skilled trades has been a continued challenge for many businesses. In fact, the labor market is so tight for the construction industry that, according to the Associated General Contractors of America, 82% of construction companies believe filling positions will be difficult for the foreseeable future. Additionally, Bureau of Labor Statistics data suggests that, since 2014—while the number of job openings has almost doubled—the number of new hires has only increased by 14%. While this challenging labor market existed pre-COVID-19, the pandemic has no doubt further complicated matters.

According to a recent survey by the Associated General Contractors of America (AGC), approximately 33% of construction firms were forced to furlough or terminate employees as a result of the pandemic. And while many of these firms have asked laid-off workers to return, many employees refused, citing unemployment benefits, virus concerns or family responsibilities as reasons they wouldn't be returning.



Additionally, despite the fact that COVID-19 has left many out of work, construction firms have still found it difficult to fill open positions. According to the AGC survey, 52% of respondents cited difficulties filling openings for laborers, carpenters and equipment operators, and 60% of firms had at least one unfilled hourly craft position as of June 30, 2020.

[Read Full Article on Our Blog](#)

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LARGE TRUCKS ACCOUNT FOR A THIRD OF FATAL CRASHES IN WORK ZONES

The Federal Motor Carrier Safety Administration (FMCSA) recently published a [report](#) concerning the role that large trucks play when traveling through work zones. In conjunction with National Work Zone Awareness Week, which took place April 26-30 this year, the FMCSA is specifically focusing on the number of large trucks involved in fatal crashes within work zones.

According to the Federal Highway Administration (FHWA), 842 people died in highway work zone crashes in 2019—which is up from 757 the year prior. In addition, 33% of fatal crashes involved a commercial motor vehicle (CMV). Further, there was a 16% increase in the number of fatal crashes involving large trucks since 2018.

The FMCSA reported that the different factors contributing to fatal work zone crashes were:

- **Rear-end collisions**—These incidents increased by 29% from 2018 to 2019.
- **Speeding incidents**—Such incidents increased by 40% from 2018 to 2019.

- **Worker fatalities at construction sites**—These incidents increased by 9% from 2018 to 2019.

WAYS TO STAY SAFE IN WORK ZONES

There are a few ways that drivers can safely maneuver in work zones to prevent accidents. These include:

- **Staying alert**—Drivers should not allow themselves to become distracted behind the wheel.
- **Obeying traffic signs**—Drivers should pay attention to flaggers, if they are present, and obey any lane change or lane direction signage.
- **Allowing for extra space between vehicles**—Drivers should practice defensive driving habits—such as maintaining an adequate following distance behind other vehicles—and make sure they account for the risk of unsafe drivers on the road, as well as those who are not paying attention in work zones.
- **Slowing down**—Drivers should always obey any speed limit changes in work zones.
- **Planning ahead**—Drivers should plan their trips before leaving to know where possible detours are and how to route around them, if possible.

To reduce fatal crashes in work zones, the FMCSA will focus part of its safety awareness initiatives on three states—Florida, Georgia, and Texas. These states experience the highest rates of work zone crashes involving large trucks throughout the nation.

The FMCSA is also providing educational [resources](#) and shareable materials to help CMV drivers and the public minimize crashes in work zones.

For additional road safety resources, contact a team member near you at [INSURICA.com/our-team](https://www.insurica.com/our-team) today.

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CYBER CONSIDERATIONS

WHAT CAN WE LEARN FROM THE COLONIAL PIPELINE ATTACK?

CONSTRUCTION INDUSTRY: WE DON'T HAVE TO WORRY ABOUT CYBER ATTACKS?

There was a time when that statement was common—and even accurate. But that statement is far from correct now. In this article, we will address only the two (2) most frequent ‘attacks’ on contractors’ businesses.

“Ransomware”—Securing and holding your information for ransom is rampant in all industries—including construction. This type of attack is especially costly as it has at least two (2) ‘hits’. One is the ransom demanded to release the key that will decrypt the contractor’s information. The other ‘hit’ is the loss of income due to a shutdown of your project—or your entire business, while you wait for access to information so that you can continue your project or business activities.

The attacker captures, then encrypts confidential information about employees, projects, vendors, bid information, blueprints, financial information, etc.—until a ransom is paid. Whether you pay the ransom, your project or business shuts down, your reputation is harmed and you may have to pay penalties on the project for being behind schedule. The costs continue to rise in this situation, no matter what happens after the ransomware attack.

“Social Engineering”, or computer deception, or trickery is the second most common attack on contractors. Contractors are excellent targets for this type of attack. With construction industry employees working mostly in the field – using laptops, smartphones, and tablets, and with there being so many ‘employees’ on a project that perhaps belong to subcontractors, and with a significant ‘turnover’ of employees in this area, it is easy to see that it is difficult to keep control of all information in these scenarios. This allows the attacker to obtain all the information needed to send false invoices to you on behalf of your legitimate vendors. You pay these invoices, but the money diverts to the ‘hacker’ instead.

So, what can a contractor do to protect their company from these and other cyber exposures? **The first step is to get rid of complacency!** Accept that you are vulnerable too.

A company’s biggest cybersecurity weakness is it’s people – your employees who inadvertently help the attacker, perhaps by opening a ‘bad’ e-mail allowing access to your system. So training would help this, but with high turnover, it’s a continuing weakness. Consider encrypting your information, change your passwords often, and check with your insurance agent about purchasing a cyber liability insurance policy that includes both coverages.

– Bobbie Duke | Oklahoma City, OK

In early May, the [Colonial Pipeline cyberattack](#) completely disrupted the U.S. energy industry, cutting off 45% of the East Coast’s fuel supply. The attack sounded the alarm for other industries, including construction to be more proactive in securing cyber insurance in case of exposure. [Evolve MGA](#) provided three key takeaways from the attack:

- Colonial Pipeline was massively underinsured
- Business Interruption & Contingent Business Interruption are major pieces of a strong cyber policy
- Extra cybersecurity questions have become key in the underwriting process

Cyber exposures aren’t going away and continue to escalate. A new [report](#) from Fitch Ratings revealed cyber claims and payouts rose in 2020. The average paid loss increased to \$359,000 per standalone policy from \$145,000 in 2019 and is projected to increase in 2021.

Click the link below to learn how to better protect yourself from Cyber threats and identify areas where you may be exposed to cyber-attacks.

[9 Cyber Risk Questions Every Organization Should Ask](#)

For more cyber considerations, find a team member near you at [INSURICA.com/our-team](#) today.

– INSURICA | Oklahoma City, OK





SAFETY CALENDAR

JUNE

- [National Safety Month](#)
- [Summer Safety Campaign](#)
- [National Trailer Safety Week \(June 6-12\)](#)
- [Trench Safety Stand-Down \(June 14-18\)](#)

JULY

- [CVSA Operation Safe Driver Week \(July 11-17\)](#)
- [UV Safety Month](#)
- [National Heatstroke Prevention Day](#)

AUGUST

- [National Stop on Red Week](#)
- [Safe + Sound Week \(Aug. 9-15\)](#)
- [CVSA Brake Safety Week \(Aug. 22-28\)](#)

**Please be advised that any and all information, comments, analysis, and/or recommendations set forth above relative to the possible impact of COVID-19 on potential insurance coverage or other policy implications are intended solely for informational purposes and should not be relied upon as legal advice. As an insurance broker, we have no authority to make coverage decisions as that ability rests solely with the issuing carrier. Therefore, all claims should be submitted to the carrier for evaluation. The positions expressed herein are opinions only and are not to be construed as any form of guarantee or warranty. Finally, given the extremely dynamic and rapidly evolving COVID-19 situation, comments above do not take into account any applicable pending or future legislation introduced with the intent to override, alter or amend current policy language. For your protection, any request to change existing coverage or to bind new coverage must be confirmed by this office.*

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