



*Global Construction* forecasts the volume of construction output will grow by **85% to \$15.5 trillion worldwide by 2030!** In the face of this exponential predicted growth, construction businesses and contractors face a number of risk management challenges that need to be addressed in the near term.

The construction pipeline is growing, with projects increasing in complexity, driving up insurance costs and potential liability for construction businesses and contractors. It should come as no surprise to anyone in the industry that the total cost of risk (TCOR) is becoming a stronger focus area as insurance buyers are forced to take on more risk while also experiencing higher retentions and higher coverage costs. Additionally, in our conversations with insurance companies, it is apparent that there is a scarcity of necessary resources available in-house to manage the safety of the projects they insure.

Based on what we're seeing in the current marketplace, let's explore four key areas where deploying effective end-to-end risk management strategies and innovative technical solutions can mitigate exposure and reduce the TCOR.

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## 1 — Leveraging Boots-on-the-Ground Safety

A shortage of skilled construction labor continues to drive a highly competitive talent market. Currently, the construction industry lacks the capacity to provide comprehensive and professional safety services. At the same time, a growing pipeline of complex projects requires a competent and capable workforce. In addition, larger projects require more workers and more investment in safety and safety oversight. Furthermore, mandatory loss prevention training, certification, and full-time project-based services are being driven by increased local city/state/federal regulation, insurance carrier subjectivity, or owner contractual requirements.

Having boots on the ground in the form of onsite safety professionals to oversee projects and ensure adherence to contractual safety protocols and measures is essential to mitigating risk before incidents occur. Construction businesses and contractors can benefit from project-specific or enterprise-wide loss prevention quality assurance consultants with expertise in safety, environmental health and safety, special investigations, and emergency medical technicians for major construction projects.

These professionals can identify operational exposures where existing compliance programs, methods, and records are reviewed in detail, and prioritized recommendations are returned to improve loss prevention strategies.

We are seeing construction-specific MGAs/MGUs and insurtech insurance providers of the future proactively embedding loss prevention and quality assurance plans and solutions as mandatory investments for both a pre-condition of insurability and throughout the life cycle of projects.

As insurance cost inflation continues in tandem with more self-insured risk being taken by the construction industry, focused investment on loss prevention policies, procedures, and professional services are also rising. Insurance carriers, sponsors, and brokers want to increase access to partnerships with experts that can deliver the scale and resources to improve their outcomes and control costs.

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## 2 — Providing Training and Educational Support

The tight labor market is also causing an influx of new entrants into the construction industry with little-to-no experience or safety training. Inadequate safety training and education among a workforce inflates risk and increases loss prevention challenges.

From safety certifications to OSHA requirements and continuing education, investment in these safety services, people, and training becomes even more important as costs continue to rise. Prioritizing safety starts at the top with company leaders and filters through on-site managers. Construction businesses and contractors can mitigate risk through strategic, consistent safety training and safety enforcement and even certain preventative investments.



Contractors are looking to leverage operational project labor data more and more to inform safety deficiencies in the workforce and prescribe real-time safety certifications through learning management systems (LMS). In some cases, the workforce is contractually required to purchase training as part of their scope of services at the direction of the contractor and their project labor data systems. Gallagher Bassett (GB) is actively looking to partner with contractor project labor data systems to support those insights with the services on all fronts of safety training/certifications and LMS. Just last year GB issued over 80,000 safety credentials, with this number expected to grow exponentially in 2024.

Contractors can also benefit from finding partners with risk management tools that leverage data-driven insights to build robust loss control and risk mitigation programs that focus on safety awareness, as well as provide timely information and updates to decision makers to help reduce potential claims. Qualified field services, on-site safety managers, and experienced technical support personnel can provide a wide range of consulting, regulatory compliance, and risk transfer assistance.

From our perspective, we are engaging with insurance companies — and even brokers — more frequently during the preconstruction and project-planning phases and the onboarding stages to get workers access (either virtually or in person) to training. On a related note, we're seeing more requests from insurance companies to evaluate their current claim trends and what opportunities exist where education could reduce risk based on what is driving their existing claim trends.

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## 3 — Investing in Data Efficiency

As insurance costs grow and risk becomes more complex, construction businesses are asked to do more with less. Unfortunately, the industry at large is lagging in adopting and implementing technology. Moreover, the industry is still

in the early stages of adopting data/technology systems at point solution (single point of data) and single project levels. The industry is still evolving to adopt data systems that incorporate operations, safety, claims, quality, and financial data into enterprise risk management systems spanning the entire portfolio of projects.

As such, construction is inherently inefficient with how data is managed, cataloged, and converted into actionable insights that can have a positive impact on TCOR and enhance their ability to optimally manage their exposure to loss. Leveraging the right tools and resources to distill claim data can assist in identifying safety issues and areas where safety education and training can mitigate risk on future projects.

By integrating technology and decision-support tools, projects can be completed smarter, faster, and with less risk to the workforce. Our construction partners are looking to our team to assist in managing data, harvesting it, and converting it into actionable insights to reduce risk and increase cost savings. For example, at GB, we are focused on incorporating more strategic partnerships that put actionable insights into the hands of our clients through technical solutions that help improve safety and mitigate risk.

The GB Construction Vertical Practice leverages Luminos, our award-winning RMIS platform, to support contractor risk management and safety operations through OSHA recording and tracking and methods to help with data quality management. This helps reduce experience modification rating (EMR) while enhancing insurability and workers' compensation insurance rate discounts. Additionally, we utilize our claims expertise and internal data science resources to synthesize leading and lagging factors, including operational safety tactics and loss history, to create a better risk profile with a smaller total cost of insurance and better profitability measures for construction businesses.

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## 4 — Finding the Right Partner

The persistent challenges outlined above are driving many in the construction industry to rethink how partnerships with seasoned risk management professionals like GB can be leveraged to control costs throughout the lifecycle of projects.

Unlike the traditional TPA marketplace, GB owns the totality of our solutions, removing the need to seek out any additional vendors or third parties and making our organization the only all-in-one risk management partner for construction businesses. Moreover, we ensure our capabilities are constantly evolving to proactively address gaps in the market and emerging risks that our clients face through ongoing investment in innovative, cost-saving solutions and seeking strategic channel partnerships with industry leaders in safety and operational data technologies.

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## Conclusion

The construction industry is facing significant challenges in terms of increasing project complexity, rising costs, and a severe labor shortage, heightening the need for effective risk management strategies to mitigate liabilities and control costs. Leveraging boots-on-the-ground safety, providing training and educational support, investing in data efficiency, and finding the right partner are key areas for contractors to focus on. By prioritizing these strategies, contractors can improve safety, attract and retain talent, and achieve superior outcomes in a rapidly evolving industry.

Get in touch with our team to discuss how partnering with our experts and tapping into our end-to-end construction solutions can help you achieve a lower TCOR.

1. [Global construction market to grow \\$8 trillion by 2030](#)