



Builder's Risk Market Continues to Experience Stress

The search for capital continues in the face of fluctuating interest rates and rising debt levels, yet the overall demand for construction has wavered only slightly. And, while multifamily **starts remain down**, the pipeline of apartments is only marginally lower than 2022, with more than a million units expected to be completed this year.

As we head into 2024, when penciling insurance costs for major projects, we expect that similar challenges and increased scrutiny from insurers offering capacity will continue.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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Market Impacts

Fire is an ever-present threat that accompanies stick frame construction and drives underwriters to assume total building losses within the peril's possible consequences. Capacity deployment and pricing is directly motivated by this line of thought and countless instances of loss experiences. As such, the frame builders' risk market continues to experience stress following several large loss events in 2023, a few of which are detailed further below.

- In May 2023, a five-alarm fire in Charlotte, NC, claimed the lives of two construction workers and resulted in the rescue of 15 workers from the site, including one trapped atop a crane. It has been determined that the site did not have the required pre-fire safety plan, nor did it have an active standpipe (a water source directly on site) as required by North Carolina Fire Code.
- In June 2023, a two-alarm fire in Las Vegas, NV, destroyed an unfinished wood frame apartment complex and resulted in several smaller spot fires in the area. The project was estimated at \$200 million, with firefighters able to save a clubhouse on the property valued at approximately \$10 million.
- In August 2023, a four-alarm fire in San Francisco, CA, swept through a 14-condominium building under construction, causing it to collapse and damage five neighboring buildings. The cause of the fire is still under investigation.
- In December 2023, Aurora, CO saw two massive fires in a single week – both to apartments under construction.
 - A three-alarm fire complicated by unfinished power lines, a lack of fire hydrants in the area and freezing temperatures that the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) is currently investigating as there are signs of arson.
 - A five-alarm fire that left one firefighter injured and is also suspected arson.



Underwriting Sees Continued Upward Trend

As the builders' risk market has evolved, so too has its approach to underwriting. We have seen increased modeling on CAT exposed risks as well as the utilization of added data points and further reporting to make decisions. Each of these factors are considered on every project resulting in individual, subjective scoring methods which can affect capacity deployment, pricing, deductibles and security requirements. In addition, with increased hazard exposures to consider, many underwriters are looking to lower limits offered as well as potentially increase the associated deductible.

However, insurers that continue to back frame builder's risk (with immense fire risk and/or critical CAT exposures) have a need for diversification that is best achieved by a consortium-backed approach to underwriting. This placement structure allows carriers to reduce their exposure, sometimes to as little as a few percent of the total value of a project and will remain a cornerstone for builders' risk placements.

Site Security is Critical

As insureds consider risk management strategies and policies, market leaders are stressing the importance of proper site security. Virtually all projects in excess of \$50 million should have strict, written requirements dictating specifications of each system incorporated. This may include camera surveillance, water flow detection, guard patrols and even fencing height (with the inclusion of razor wire). Projects without proper security will continue to have limited options for coverage and could quickly become uninsurable.

We Help You Win

With the challenges facing the market, Builders' Risk insurance programs have become increasingly more difficult to complete. To ensure the best terms and conditions for your clients, partnering with a wholesale broker who specializes in this segment is more critical than ever. Amwins has builder's risk experts from coast to coast with unparalleled market access, exclusive capacity deployed through Amwins Special Risk Underwriters, and colleagues with boots on the ground in the London and Bermuda marketplaces.

Contact your Amwins broker for more information.

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