

# WHY DO CARRIERS ROUTINELY ABANDON THE RESTORATION CLASS OF BUSINESS?

Every other market that went after restoration as a target class in the past 10 years has abandoned the market. Forcing through nonrenewals unavoidably create potential coverage gaps on environmental losses establishing the exact date of a covered loss, and therefore which policy should cover it, is impossible to do.

- Claims frequency – due to indemnity agreements in master services agreements with the writers of homeowners insurance policies, there is a preponderance of construction defect claims and problems with the complexities of insurance coverage for those types of claims.
- There are unique and unusual requirements for stakeholders not involved at the job site to be Additional Insureds.
- At least 12 different sets of unique insurance requirements are common in the restoration contracting space. Failure to meet them exposes policyholders to uninsured indemnity obligations and insurance brokers to errors and omissions claims.
- 94% of the liability policies sold to restoration fail to meet the insurance specifications in the most common contracts that restoration firms enter into.
- Failure to meet the insurance requirements in contracts can shut the restoration firm off from new jobs from the holder of a master restoration services agreement with an insurance company; while at the same time not getting paid for work performed when the restoration firm was in breach of contract for failure to provide the prescribed coverage in the contract.
- Failure to maintain the specified insurance in master services agreements can put a restoration into a Red Light situation. Anyone in the insurance business who has ever experienced a red light status situation with a restorer does not want to endure that again. It is important to constantly monitor the insurance requirements in at least 12 different restoration direct repair networks to avoid red lights. Few carriers are in a position to do that monitoring on a prospective basis. Their only warning that the policies the carrier sell do not meet the insurance requirements in a contract is when their customers get red-lighted. The result for the carrier is reputational damage deep into the distribution channel.
- Carriers sometimes run from the complexity inherent to the class of business to avoid reputational damages.

For these reasons, over the past 7 years, there has been almost a 100% abandonment of carriers in the restoration market. Therefore choosing a carrier with your experienced wholesale broker is as important as the coverage itself!



Insurance