

## Insurance Savings with Cold-Formed Steel

Non-combustible structures, like those built with cold-formed steel, have better loss histories and are often viewed by insurance underwriters as lower risk. This can translate to lower costs and broader coverage than combustible wood framing.

Insurance premiums are one of the many factors that can determine a project's final price tag, representing 5% of costs during construction, and up to 10% of the cost of long-term operation of the structure.

These costs are beginning to escalate as a growing construction industry creates demand for insurance coverage which, in turn, is tightening underwriting capacity. This is prompting developers and owners to take a closer look at different options, with many starting to consider insurance beyond simple "protection against loss" to an actual tool for maximizing return on investment.

### Using Cold-Formed Steel to Lower Costs

There are several types of insurance to consider when evaluating the costs of a cold-formed steel framed structure, particularly when comparing those costs with a wood construction.

#### BUILDERS RISK

This insurance covers the structure during the course of construction. Coverage can be written for the direct causes of loss (such as fire, flood, etc.) as well as indirect results such as Business Income lost and Soft cost (interest expense generated from delay).



Construction material plays a significant role in the costs of builders risk premium. "Frame" or "Wood" construction has a greater likelihood to burn or be damaged by a peril (such as fire) and that the event will be a total loss versus a partial one. Loss history for wood construction has been poor and carriers are very restrictive of the amount of risk they will take (known as capacity). They will often restrict their limits to \$25,000,000 or less with most carriers only offering \$5,000,000 to \$7,500,000 capacity. Total costs increase when multiple carriers are needed to provide coverage.

#### How to Save



Zurich's Builders Risk Insurance, an innovative insurance program available nationwide that when used for all of the structural elements in commercial construction projects, recognizes steel framing as non-combustible and therefore superior construction, and slashes premiums by as much as 25 to 75 percent for steel-framed products. The program is underwritten by Zurich North America Small Business and administered by Zurich Insurance Services, the largest provider of builders risk insurance products in the United States. Agents can register and issue a Builders Risk policy online at [www.zisinternet.com](http://www.zisinternet.com), or call (800) 800-3907, option 2, to speak with a service representative.

## PROPERTY INSURANCE

After the structure is completed, construction material will impact the owner for future property renewals. Like builders risk insurance, property coverage can include business income triggered by a covered event and becomes an annually recurring expense. Similar to Builders Risk insurance plans, capacity will become an issue. Insurance carriers are more interested in the non-combustible structures due to better loss history and will compete harder to win this business. This can represent a huge advantage for owners of a steel-framed structure because the savings recur every year when the policy is renewed at the non-combustible rate.



### How to Save



Great American Insurance Group, one of the oldest Property and Casualty carriers in the U.S., provides favorable pricing on Property Insurance for structures built with cold-formed steel framing. Currently, quotes are developed through Constructive Risk, a California-based insurance consulting firm who works with agents/brokers, corporate risk managers, and owners to obtain these discounts. Contact Charles Specht at Constructive Risk: (559) 916-2649, or e-mail: [Charles@constructiverisk.com](mailto:Charles@constructiverisk.com).

## GENERAL LIABILITY AND OTHER INSURANCE PRODUCTS

For some types of coverages, construction materials may not be specifically considered when pricing policies. However, in the insurance carrier's underwriting and thought process, the decreased "risks" associated with steel framing often equates to lower costs in claim/lawsuit dollars over the course of a ten-year period. This allows savvy insurance brokers to work with insurance carriers to develop or gain access to insurance products with premium savings and possibly broader policy terms for projects built with cold-formed steel framing. Examples of what has been negotiated include:

- 15 to 60 percent savings on Workers Compensation premiums,
- Between 5 and 15 percent savings on Surety/Bonds, and
- Up to 50 percent premium savings on General Liability insurance

### How to Save



Although most knowledgeable agents can negotiate directly with insurance carriers for lower rates on cold-formed steel frame construction, special assistance is also available to agents/brokers, corporate risk managers, and owners through Constructive Risk, an insurance consulting firm that has worked with the Steel Framing Industry Association on negotiating lower rates for cold-formed steel framed projects. Contact Charles Specht at Constructive Risk: (559) 916-2649, or e-mail: [Charles@constructiverisk.com](mailto:Charles@constructiverisk.com).

## COST COMPARISONS: Insurance Savings with Cold-Formed Steel

**Project Description:** 4 story, 400 unit Hotel/Lodge  
**Location:** Mason, Ohio  
**Construction value:** \$120,000,000  
**Construction time:** 24 months



### Insurance Product: BUILDERS RISK\*

Cost basis:

Wood: \$ .60 to .80 cents/\$100 construction value  
Cold-formed steel: \$ .12 to .18 cents/\$100 construction value

Insurance Premium comparison:

Wood: \$ .70 x 2 years = \$1,680,000  
Cold-formed steel: \$ .15 x 2 years = \$ 360,000

**SAVINGS/cold-formed steel: \$1,320,000**

### Insurance product: PROPERTY INSURANCE\*

Cost Basis:

Wood: \$ .12- .14 per \$100 final value  
Steel: \$ .07 - .08 per \$100 final value

Insurance Premium comparison:

Wood: \$.13 (annual) = \$156,000  
Cold-formed steel: \$ .075 (annual) = \$ 90,000

**SAVINGS/Cold-formed steel: \$ 66,000** *This is an annual cost. Over a 10 year period, the cumulative savings with cold-formed steel will be \$660,000.*

### SUMMARY: Cost Savings with Cold-formed Steel over 10 years

|                    |                             |
|--------------------|-----------------------------|
| BUILDERS RISK      | \$1,320,000                 |
| PROPERTY INSURANCE | 660,000 (\$66,000 annually) |

|                                |                    |
|--------------------------------|--------------------|
| <b>TOTAL SAVINGS/10 years:</b> | <b>\$1,980,000</b> |
|--------------------------------|--------------------|

\*Comparisons developed by Willis of Texas

**Project:** 4 story, 190 units, Condominium  
**Location:** Los Angeles, California  
**Policy Limit (purchased):** \$25,000,000



**Insurance product: General Liability / Wrap\***

**Insurance Premium comparison:**

Concrete: \$2.3 million  
 Cold-formed steel: \$2 million

**SAVINGS/Cold-formed steel: \$300,000** *This is an annual cost. Over a 10 year period, the cumulative savings with cold-formed steel will be \$3 million.*

**The builder was also able to save more than \$100,000 on builders risk and workers compensation policies.\***

*\*Comparison/savings data provided by A.J. Gallagher and Zurich Insurance Services*

**Project:** 4 Story, 120 Units, Hotel  
**Location:** Nashville, Tennessee  
**Construction value:** \$10,200,000



**Insurance product: PROPERTY INSURANCE\***

**Insurance Premium comparison:**

Wood: \$132,000  
 Cold-formed steel: \$ 76,000

**SAVINGS/Cold-formed steel: \$ 56,000** *This is an annual cost. Over a 10 year period, the cumulative savings with cold-formed steel will be \$560,000.*

*\*Comparison/savings data provided by owner.*