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Home Loan Insurance
PO Box 100
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RE: Escalating General Liability Insurance Premiums

Why I am Concerned:

Because most State Governments do little or nothing to control who can be a residential contractor or subcontractor they rely heavily on design teams and local building departments to oversee most construction and to verify the construction meets the codes enforced on the project. This lack of control at a licensing stage leads to one basic deficiency in residential construction – lack of knowledge. Construction is at a crossroads with technologically advanced materials and old-school thinking. I believe the industry can gain control of this situation by taking an active part in overseeing construction from the design phase through to certificate of occupancy. I also believe the insurance industry should evaluate its part in construction and take an active part in overseeing the work performed by its clients.

The federal government started realizing they needed to start controlling materials going into commercial and residential construction for safety concerns. There has been extensive testing done (by ICC or others) on materials to gain control over their safety for construction but there has been little to no effort made in controlling how these materials are assembled to make a system and how that system will then perform in the climate in which it is located. If you were to ask most architects why something failed they will tell you that it was built incorrectly. Ask them to substantiate the scientific data they used to design the system and 9 times out of 10 they have no back-up, except what they were afforded from product manufacturers. Product manufacturers sell products and rarely ever verify the condition the product is going to be installed in, how it is to be installed, how it will impact the other components in the system, or who is installing it.

2012 IECC is on the Federal books but has not been heavily adopted by State governments. When these new codes take effect they have the potential to further hurt our industry by putting requirements on projects when most the industry does not understand the scope of work or how to use new products to accomplish the scope of work. We are preparing our market for a substantial change in building codes that will ultimately add costs to new construction. The increased cost associated with material, labor, code requirements, and insurance premiums will

negatively impact new home starts at a time when the industry and economy cannot afford the financial impacts.

Work Approach:

When I look at a project I typically review the plans and then offer some simple alternatives to the project documents.

1. In lieu of per plans and specifications I offer 1-3 different systems for most common applications in most climate zones. All 3 systems are tested as a system by various technical departments and qualified to work in each climate zone without failure. All 3 systems utilize different materials and therefore represent 3 different price levels for each application. These systems are product specific and are installed by qualified crews, (on the job training by my qualified staff coupled with manufacturer training).
2. I look at walls and ceilings like they are a system. Each layer is a component of the system designed to perform a specific task as part of the system. It is very important to understand the exact performance criteria for each component. I qualify these systems so it is understood what each subcontractor on a project needs to fulfill as their part of the system.
3. Areas in construction I focus most of my attention on:
 - Foundations details
 - Exterior wall and ceiling systems
 - Slab details
 - Crawlspace details
 - Connection details

My idea and concept has been introduced in my market area by taking four different avenues, each incorporating a different perspective in construction – architect, owner, builder, and building authority.

- Architect- We meet with architects on a general basis to offer specifications and details that will work for their projects.
- Owner- Knowledge and common sense usually prevails when you discuss reasonable construction practice with the person(s) who will be living in the home, investing the money in the project, or taking on the liability for a project when it is complete.
- Builder –Exclude them from the decision making process as much as possible. Educate them on what I am proposing and the benefits the owner receives from my work.
- Local building authority-Educate them on as much as I can without selling them on anything.

When I cannot get a project or contractor on board with our program, we simply walk away from the project. We don't install systems that are not tested to work in the climate a project is located in. This principle has cost me thousands in sales, but has also saved me a countless amount of claims. The outlining benefit of this business practice is that it is taking hold in my market and I have become a resource to the building community that surrounds my business.

Insurance Cost Reduction Possibilities:

I see this situation as a potential starting point for a new way to approach residential construction and the contractors that make up a large portion of the industry.

When safety related losses became a focus point in the construction industry the first step was to raise the workers comp rates to offset the losses. Then the focus switched to preventing the losses and work related injuries dramatically decreased. Loss prevention was driven by the need for a safe work environment but it took hold in the workplace because of the discounts associated by proving a safe record and implementing programs that lead to a safe working place.

I want to establish and administer a cost containment program for general liability insurance that is tailored to the needs of the construction industry. My idea incorporates a checks and balances program that will ensure its success. The final part of my idea requires partnering with a general liability insurance provider(s) who understand the nature of the problem I am trying to address.

Your input and point of direction to my concerns would be greatly appreciated.

Thank you in advance for your support.

Sincerely,

Thomas J. Miner