

ARTISAN CONTRACTORS

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CARRIERS BANK ON SMALL CONTRACTORS FOR BIG GAINS

Carriers seize upon potential in the artisan contractor segment by focusing on current business needs. **Prime Insurance-backed Construction Indemnity Group (CIG)** beats the drum for its innovative new product that guards against nonpayment. **Crusader Insurance Co.** revives its Artisan Contractors Program and spruces it up with enhancements. **ECM Insurance Group**, which writes small operations, may propel a ratings upgrade into new business. In today's improving market, many artisan contractors have hung out their own shingles after being laid off from big construction firms. Contractors are doing small-scale remodels and home improvement jobs rather than big projects, and can encounter difficulty in securing payment from homeowners.

CIG launches a unique insurance product designed to help artisan contractors and suppliers receive timely payment for the work they've completed and materials they've provided. Construction Contract Protection guards against nonpayment for contracted goods and services, and CIG touts the product as the first of its kind. It sees tremendous unmet need for the new coverage, particularly in this economy when small-scale contractors cannot afford to write off nonpayment. The claims process is based on the insured's own filing of a valid mechanic's lien on the nonpayer's real property, and begins once the lien is submitted to CIG. Getting paid through the use of liens is time-consuming and often quite costly for contractors. With CIG's product introduced in late March, the insurer quickly pays the contractor what he is owed. Claim payouts are typically made by the 45th day from submission. Through subrogation, the insurer takes on the burden of getting payment. CIG president **Todd Golin** drew on 25 years' experience in the construction industry in developing the product over the past two years. The product enables payment to the contractor in a fraction of the time it would take to collect under a conventional lien action – and at a fraction of the cost.

Contractors and suppliers must take care to comply with state laws so that their liens are valid. To that end, CIG has arranged discounts for its insureds with certain companies that assist with lien filings. The baseline premium for Construction Contract Protection is \$1,000 for a clean applicant, one who has filed a minimal number of liens, over the preceding three-year period. Deductibles start at \$250, and the minimum claim amount is \$2,500. Limits go up to \$25,000 but can go higher with stricter underwriting guidelines. The \$25,000 aggregate limit should be sufficient for CIG's target insureds, as the company is not interested in covering huge commercial contractors. The average mechanic's lien filed is about \$7,500. The coverage is written on the paper of surplus-lines insurer Prime Insurance Co. through its in-house broker **Evolution Insurance Brokers**. **Alexander J. Wayne & Associates** acts as an intermediary for the product. Construction Contract Protection is available nationwide except in New Hampshire and Rhode Island. The product is accessible and commissionable to independent agents and brokers.

Crusader Insurance Co. brings back its Artisan Contractor Program with newly added coverage enhancements. The carrier lifted its moratorium on new artisan contractor business after seeing more opportunity and demand in the segment in last year's fourth quarter than in the past several years. Enhancements include no prior acts exclusion, no sunset clause, and an ongoing operations endorsement. Look for the insurer to appoint additional agents this year after making four new appointments in Q4 2009. It plans to add more brokers to its base of retail distributors as well. Premiums start at \$750. The program is open to artisan contractors with up to \$1 million in gross receipts. Limits go up to \$1 million/\$2 million. A zero-dollar deductible is available for liability. The product is available in California only and is accessible to independent agents and brokers.

ECM Insurance Group this month enjoyed an upgrade of its A.M. Best financial strength rating to A- from B++. Additionally, its issuer credit rating was raised to a- from bbb+. The insurer writes basic general liability coverages for small contractors, and its pricing is geared toward one- and two-person operations. Business is accessible to independent agents and brokers.