

# Applying a Property Developer's Eye to Insurance Protection

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Over the past few months, the business world and global economy have turned upside down. This rapid change will also impact the commercial real estate industry.

Staying ahead of the trends and thinking through the new vulnerabilities require partnerships from seasoned professionals who understand your business from all sides. Developers can benefit from working with a partner that has industry-specific experience to create customized solutions to help meet their varying insurance needs and requirements.



When it comes to choosing the right insurance partner, look for the team that applies the same core list of characteristics that helps make real estate developers successful in their work.

## 1. An ability to spot potential and anticipate challenges

Developers need to be able to see in their minds' eyes what is not currently standing in front of them in order to bring a vision to life. This gift of foresight is crucial for protecting the project along the way.

In insurance, the same ability developers and builders use to spot the potential in a plot of land or building in need of renovation is applied to help predict where challenges and issues may occur throughout the project – both from physical and management perspectives – so teams can prepare and help alleviate any potential problems in advance.

Including your insurance partner in discussions during the development and design phase may uncover challenges that would be difficult to address in later

phases in development. For example, at M&T we have been successful at advising our clients during the development and design stage about how certain design elements can hinder their ability to obtain cost-efficient coverage for catastrophic or “CAT” perils. These include events like hurricanes, floods, and earthquakes. It is much easier to fix design elements during the early stages rather than during construction or post-construction, when insurance is usually first contemplated in many cases.

That is one example, but there are many benefits of coordinating early discussions with your insurance partner.

## 2. An understanding of the appropriate project risk appetite

With building and development come inevitable risk. The physical part of the job – dealing with labor and issues that may come from the construction work itself – are just as important as management liability concerns, such as the risk stemming from cyberattacks.

Taking stock of potential issues and creating a clear risk appetite before a project begins is critical. The right insurance partner can help developers truly understand the holistic landscape of potential risks and work with them to help make the strategic decisions on how much risk they feel comfortable taking on for a project before it gets underway. It is not a matter of protecting from every risk – this critical work of determining a clear, risk appetite profile is about understanding where vulnerabilities lie within a project and making the critical decisions on how and what to protect with insurance.

With a clear risk appetite in place, decisions can be made for formulating risk-transfer packages between developers, contractors, and subcontractors that can be tightened or loosened according to changing needs.

## 3. A deep understanding on shifting trends

Just as real estate developers and contractors need to think through how design and usage changes will impact their final product, the right insurance partner should be closely watching and advising on how regulatory, cyber, market, weather, and environmental changes might impact the value of the property and carry the potential to open up new vulnerabilities for the project.

This eye for both the current and anticipated environment is what developers and contractors need to consider in order to determine how these shifts can change their property and casualty risk exposure throughout the construction lifecycle.

As developers and contractors set expectations for projects, it is imperative that they consult with their insurance partners on the latest trends. Currently, the insurance market is going through a hardening phase, which impacts pricing, terms and conditions, and the availability of insurance capacity. It is important to understand how the profile of the project is being received in the insurance market because this might impact budgets and profitability.

It is also important for your insurance partner to discuss other trends in the insurance market, including the impact of new regulations and the most recent claims trends. These conversations can be invaluable to help avoid potential pitfalls and expensive claim scenarios.

#### 4. Trust the team

This final characteristic is arguably the most important. In real estate development, no one can go it alone. Design and construction teams must be trusted with complicated and sensitive work, and the leaders on the project need to have the confidence that their team members will help flag any potential issues along the way.

When it comes to insurance, the same is true. Just as subcontractors and an onsite foreman can help ensure the working conditions on the ground are safe for workers, trusting that your insurance partner can help keep you apprised of changing conditions and other considerations that could threaten your long-term success is key. You need people you can trust to help you to stay focused on the work you're doing.

It's important to have a team that has vast and specific experience in the real estate and construction industries. This can help your insurance partner to choose the best insurance carrier partners, structure the most efficient insurance programs, and develop creative solutions to overcome challenges, particularly in a difficult insurance market.

A good insurance partner should be able to help you consider your risks in a holistic fashion in the context of your risk appetite framework and give you the best possible intelligence for making the strategic decisions that can keep your work on track.

At M&T Insurance Agency, we understand the unique challenges and needs facing those focused on real estate development, and we partner with our clients on every step of their journey. We are here to be your eyes and ears in the risk market and your long-term advisor through the complexities and changes affecting commercial real estate today.

**To learn more about how M&T Insurance Agency can help protect you and your business, call 1-800-716-8314 or visit [mtia.com](http://mtia.com).**