



Commercial Property Insurance

# Review Your Policy Limits as Building Costs Rise

RAPIDLY RISING commercial building construction costs could result in your facility being underinsured if you suffer a major loss and haven't increased your insurance policy replacement cost limits lately.

Your policy has a maximum amount it will pay to rebuild your building, and that limit should reflect current construction costs. Otherwise, the policy may not be enough to pay for rebuilding after a total loss like a fire razing your business. And whatever the insurance doesn't cover, you would have to pay out of pocket.

### Construction costs

According to a report by Verisk, reconstruction costs in the U.S. increased by 5.2% from April 2024 to April 2025.

Those rising costs come on the heels of massive material price increases of 40% from 2020 to 2023 when supply chains were snarled.

Some prices have come down a little, but they are still mostly higher than before the pandemic.

With tariffs coming on many goods used in construction, we could be in for another round of construction cost increases.

Also, the construction industry faces a labor shortage, which has added to the cost of rebuilding and the time it takes to complete a project.

Escalating construction costs can extend rebuilding and repair timelines for properties. Longer waits for materials or workforce can also increase compensation periods and can be a serious burden for a business that has lost access to its facility.

Many policies will also cover business interruption costs, which can be exacerbated by increased downtime at the damaged or destroyed facility.

### Revisit your replacement cost

One of the critical parts of the claims settlement process is determining the cost to reconstruct a building to its original state with new materials and current labor rates. When these costs rise, so should your policy limits.

For example, a property owner bought insurance five years prior with a coverage cap of \$1.5 million.

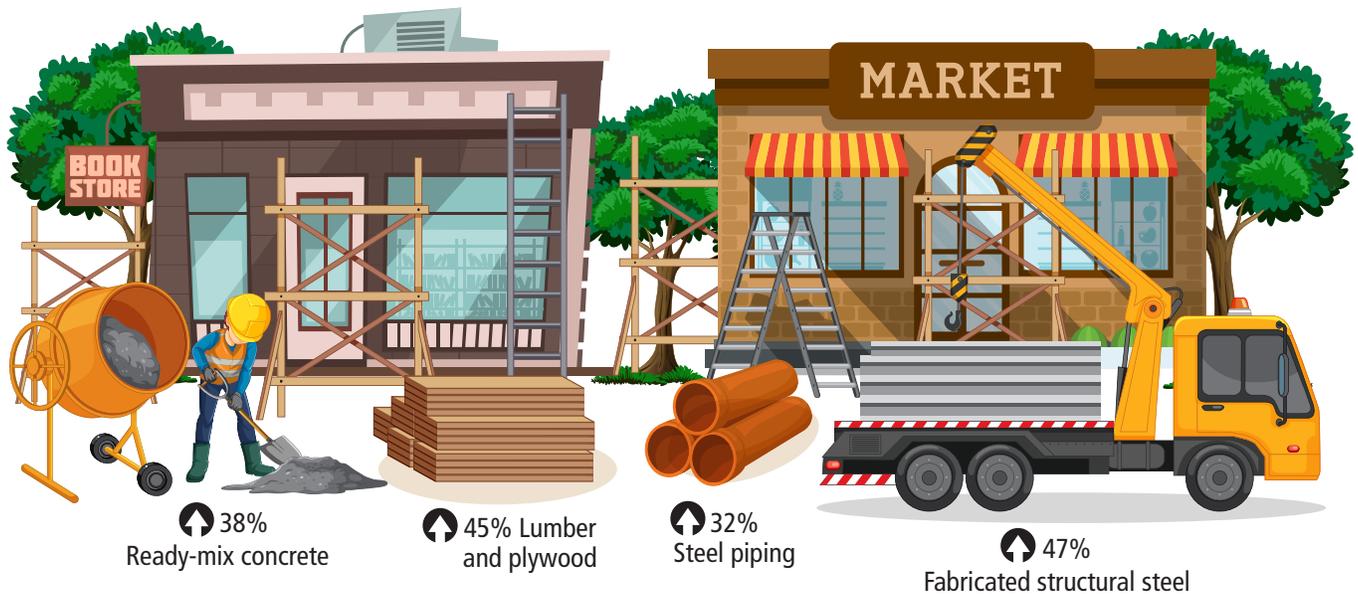
With escalating material and labor expenses, the present reconstruction price has soared to \$1.8 million. Should a total loss occur, the insurance compensation would fall \$300,000 short, forcing the occupier to pay the rest out of pocket.

### What you can do

Proactive management of your insurance coverage ensures you have the necessary resources to recover from unforeseen events.

See 'Crucial' on page 2

## MATERIAL PRICES SURGE 2020-2024



Source: Construction analytics website edzarenski.com

# Supervisors Are the Linchpin of Workplace Safety

WHILE SAFETY managers or risk management specialists are important to your workplace safety program, the most influential figures in preventing accidents and building a culture of safety are frontline supervisors.

They are the key to turning safety strategies into reality. Their presence, decision-making and soft skills directly affect whether safety programs succeed or fail. Here's why investing in frontline supervisors can help you build a safer, more engaged workforce.

## The first line of defense

Supervisors oversee the execution of safety protocols. They're there when a new process is rolled out, when weather shifts suddenly impact work conditions or when a worker is cutting corners.

A well-trained supervisor can spot not just obvious hazards, such as exposed wiring or malfunctioning equipment, but also more subtle ones, like signs of fatigue, rushing or frustration – all of which elevate risk. If they spot trouble, they can adjust workflows or intervene early to help workers avoid serious injury.

## Communication sets the tone

A supervisor who effectively communicates safety expectations, gives constructive feedback and listens to concerns creates an environment where safety becomes second nature.

If supervisors foster trust through regular team meetings and one-



on-one safety check-ins, workers are more likely to report unsafe conditions or behaviors, ask questions and follow guidance.

## Managing human factors is a must

Rushing, distraction and complacency are behind many workplace incidents. Supervisors are positioned to monitor these in real time and proactively adjust assignments or talk through issues to reduce the chances of an accident.

Providing them with tools and education to identify these human factors can significantly reduce preventable incidents caused by mental and emotional strain.

## They bridge the gap between policy and people

Frontline supervisors are the bridge between what the safety team envisions and what workers experience. They model behaviors, set expectations and follow through on accountability.

They also play a key role in gathering safety data. That's why it's important for supervisors to create a culture that encourages line workers to report incidents, which makes it easier to gather accurate, actionable data.

## Train your supervisors

Frontline supervisors are often promoted from the ranks, but they need more than technical skills to take on a leadership role. Give new supervisors access to training that enhances both their safety competencies and their soft skills, including:

- Effective communication,
- Hazard recognition,
- Human factors awareness,
- Positive reinforcement techniques, and
- Data collection and safety reporting.

Also, make sure to:

- Recognize and reward supervisors who demonstrate safety leadership.
- Encourage supervisors to voice concerns or share insights about safety issues.
- Evaluate supervisor performance with safety metrics in addition to productivity.

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## It's Crucial to Annually Review Your Policy Limits

To safeguard your assets, it's crucial to annually review and update your property's replacement cost valuations.

If you are concerned about being underinsured and haven't revisited your replacement costs for some time, please give us a call. Insurance brokers often use up-to-date third-party tools,

such as Marshall & Swift, to provide guidance on estimated replacement costs.

These tools consider factors like location, construction type, square footage and additional details of your property to offer accurate valuations.

# New Wildfire Defensible Space Rules in the Works

THE STATE is working on new regulations that will toughen enforcement of defensible space around commercial and personal properties in areas at risk of wildfires.

The current round of rulemaking by the Board of Forestry and Fire Protection is on Zone 0 – the area that stretches from the physical building out to five feet. The new rulemaking will add to the steps commercial property owners in high-risk areas are required to take.

## The proposed rule for Zone 0 (up to 5')

The Zone 0 rule would bar grass, ornamental or native plants, shrubs, branches, fallen leaves and tree needles, weeds and combustible mulches including bark and woodchips from Zone 0.

Some wildfire specialists say the proposal is flawed and that adequately watered grass and shrubs can help protect the building in case of a wildfire.

If well watered, they can reduce the temperature around the structure, catch embers and keep them from starting a fire. The rule makes an exception for potted plants.

Most trees would be barred from the zone, although mature trees without low-hanging branches may be allowed.

No items that are likely to be ignited by embers would be allowed, including:

- Timbers,
- Firewood,
- Synthetic lawn, and
- Trellises.

The roof and rain gutters must be kept clear of leaves and needles.

Areas under decks, balconies and stairs must be kept free of vegetative material and combustible items.

Any gates or fencing constructed from combustible materials may not be attached to the home or other structures.

## Zone 1 (5'-30')

Under current Board rules, at-risk building owners must:

- Remove dead leaves, pine needles and debris.
- Trim overhanging branches to at least 10 feet away from chimneys.
- Keep trees pruned to maintain spacing.
- Maintain space between trees and shrubs.

## Zone 2 (30'-100')

Under current Board rules, at-risk building owners must:

- Let grass grow no more than four inches tall.
- Maintain clear spacing between shrubs and trees.
- Remove dead vegetation and fallen leaves.
- Prune lower branches of trees.
- Ensure outbuildings and propane tanks have 10 feet of clearance and no flammable vegetation nearby.

## Is your commercial property affected?

Property owners in these areas are required to comply with the rule:

**State Responsibility Areas** – The state is financially responsible for preventing and suppressing wildfires in these areas. SRAs do not include land within city or certain county boundaries. You can check if your property is in an SRA [here](#).

**Very High Fire Hazard Severity Zones in Local Responsibility Areas** – These are areas at high risk of wildfire where local agencies, like city or county fire departments, are primarily responsible for wildfire protection and emergency response. You can check if your home is in a high fire hazard zone [here](#).

Once finalized, the rules will apply immediately to new construction, with existing properties receiving a three-year phase-in period. If you have questions or concerns about about these proposed rules, give us a call.



# The Risks Behind Conducting Background Checks

EMPLOYERS ARE increasingly facing lawsuits over how they handle background checks during the screening process for job applicants.

For a lesson in what can happen, take the recent class-action lawsuit filed against a Whole Foods Market Inc. store in Fresno, California. The suit alleges that the store's online form asking for job applicants' approval for criminal background checks violates the Fair Credit Reporting Act.

The lawsuit seeks damages of up to \$1,000 for each individual from whom Whole Foods obtained a consumer report without valid authorization, plus punitive damages and costs.

This case highlights two things: how careful employers have to be when conducting background checks and the importance of securing employment practices liability insurance.

Forbes magazine recently published this list of how to conduct background checks without breaking the law:

**Be broad and thorough** – Consider a spectrum of information, including an applicant's education, employment and criminal history, driving history and social media.

Companies lose great candidates when they look at only one specific item. Worse yet, you could become the target of an Equal Employment Opportunity Commission investigation for excluding applicants with criminal records, no matter the charge or how long ago the offense occurred.

**Don't use the 'box'** – The EEOC and many states are making efforts to ban the "box," which is that question on applications that reads, "Have you ever been convicted of a crime?" Instead, interview and consider all applicants equally. Then you can run a broad and thorough background check.

**Follow the law** – Before you start a background check, make sure you first obtain a legal release from the applicant, inform that applicant of their rights and provide them with a copy of the report.

**Be consistent** – Keep your application process consistent for all applicants. Applicants going for the same job should have the same checks run on them to avoid charges of discrimination.

**Communicate** – If you find something on a background check that may affect your decision to hire an applicant, consider asking the applicant about it. Many misconceptions, mistakes and reporting errors can be resolved via face-to-face communication.

**Locate patterns** – Positive and negative patterns are the best way to evaluate an applicant. A single bad act should not be the defining measure of a person or their ability to do the job.

Considering consistent patterns of behavior is a defensible way for employers to make hiring decisions.

**Don't seek out only the negative** – While most background checks are conducted to ferret out negative information, use them also to find positives that can help you decide on the best candidate.

**Use a professional agency to conduct checks** – A good screening firm has the experience to be accurate and efficient. It also will prevent you from viewing data that might be a violation of state or federal law.

## Employment practices liability insurance

Unfortunately, even if you do everything right, you can still be sued by an applicant for perceived discrimination or other infractions due to your background-check policy.

An employment practices liability policy can cover the costs associated with a number of claims, including:

- Wrongful termination claims,
- Discrimination claims (covering those by current, former and prospective employees),
- Sexual harassment claims, and
- Whistleblower claims.

If you have any questions regarding any of these articles or have a coverage question, please contact your broker at:

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