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WOOD PRODUCTS

ss Timber Builder's Risk Insurance: rategies f<mark>or Success</mark>

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Credit: Oz Architecture, KL&A Engineers & Builders, Photo: JC Buck

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Questions related to specific materials, methods, and services will be addressed at the conclusion of this presentation.

Course Description

This course explores the landscape of mass timber builder's risk insurance, with insights from a general contractor, insurance broker, and insurance carrier on how they collaborate to navigate insurance challenges and manage cost considerations to support project success. Attendees will gain a well-rounded understanding of how to procure builder's risk insurance, how insurance considerations impact design choices, and proactive engagement with insurers that can streamline the process, promote safer building practices, and improve project outcomes.

Learning Objectives

- 1. Understand the roles and perspectives of the general contractor, insurance broker, and insurance carrier in the builder's risk insurance process to facilitate better project coordination and risk management.
- 2. Identify key risks associated with mass timber construction and understand how insurers evaluate builder's risk policies.
- 3. Learn what information is required to submit a builder's risk insurance application, including project details, construction specifications, fire protection measures, and risk mitigation strategies.
- 4. Explore strategies to streamline the insurance process, promote safer building practices, and integrate insurance considerations into early-stage design decisions to improve project feasibility and success.

What is new in Mass Timber Insurance?

Evolving Strategies, Some Market Adoption, & Expanding Occupancy Segments



32 Story High Rise, Milwaukee Wisconsin

Large Manufacturing Facility, Chesterfield County, Virginia

Pharmaceutical Manufacturing, Durham, North Carolina

Data Center, Northern Virginia

Mass Timber Manufacturing Facility, Millersburg, Oregon





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Mass timber perceptions in the Insurance market

Opportunities and challenges of insuring mass timber

Opportunities Mass timber (MT) has better fire performance than conventional dimensional lumber (light frame structures).	Underwriting considerations The use of any wood product elevates other exposures, including but not limited to Nat Cat, moisture/mold, supply chain bottlenecks, pre-fab, or modular elements.
Construction timelines are reduced due to the prefabricated nature of mass timber elements.	Compressed construction schedules can contribute to costly mistakes, potentially increasing frequency and severity of claims.
Offsite fabrication is performed in controlled manufacturing environments.	Pre-fabricated elements often present challenges for transit, offsite storage, and tie-ins to existing project elements will be considered in the underwriting process.
MT use allows for improved site safety and reduced onsite waste.	Site-specific security measures must be implemented and are required for review by insurers prior to binding coverage.
MT is a more sustainable product with reduced carbon emissions over conventional materials (e.g., steel/concrete).	Lumber costs are more volatile (on average) than conventional building materials, posing a risk for inflated replacement costs or sizeable value changes.
MT is aesthetically pleasing when left exposed (without encapsulation), promoting psychological well-being for the occupants.	MT without encapsulation will burn faster, (reducing "better performance" benefits over light wood frame) while elevating exposure to char, smoke, or "visual deficiencies."

Mass timber loss considerations

Common mass timber losses

As the use of mass timber becomes more popular in the U.S. market, claims data is becoming more available, however still limited in relation to traditional methods.

Common causes of builder's risk loss on mass timber projects include, but are not limited to: Fire and resulting damage such as charring and smoke damage.

Water damage, including damage to mass timber products from staining, swelling, cracking, etc.

Damage resulting from "delamination" (faulty work/failure of adhesive).

Inadequate engineering and/or design experience with the product.

Natural catastrophe (Nat Cat) - if located in a high-hazard zone.

Collapse during building erection.

Arson and vandalism.

Mass Timber submissions

DNA of an ideal risk

Relationship

A well-established, long-term relationship between the project owner/developer and prime general contractor.



Experience

A lead architect, structural engineer and general contractor with extensive experience in conventional building means and methods (for the type of project under consideration), ideally with prior mass timber construction experience¹.

Protection

Water mitigation plan and PPC; project will deploy operable fire hydrants (within 500 feet of the site) prior to mass timber elements arriving on site for storage or erection.

Established

The use of established mass timber manufacturers certified by APA -The Engineered Wood Association (www.apawood.org).

Classification

Project falls within ISO Municipal Public Protection Class 1-5 and IBC classified Type IV A, B, C or IV-HTs.

Quality

Positive Zurich Risk Engineering review and proactive implementation of any ZRE recommendations.

Mass timber underwriting considerations

Key mass timber-specific underwriting questions

Experience and Capabilities of the Owner, Designers, Engineers, General Contractors & Subcontractors

- What are the owner's and contractor's goals with mass timber?
- Is the design complete?
- How efficiently has the contractor created the construction schedule?

Manufacturer, Supplier & Sourcing

- How are materials being certified as mass timber?
- Who are the proposed manufacturer and installer?
- Why was the manufacturer selected?
- What are the manufacturer's quality control procedures?
- Have constructability reviews been held between all key design consultants, main contractor and key subcontractors?
- What is the proposed on-site supervision (including details of on-site technical assistance) from the chosen manufacturer or mass timber engineering firm?
- Where is the material being sourced from?



Hybrid Construction

- Do mass timber elements serve in an aesthetic or structural capacity?
- Is the project truly a Mass Timber project?

Materials Transportation Storage & Protection

- How is material being shipped to the project site once inland?
- How is material protected during shipment?
- How is material being stored?

Construction Methodology

- What does the GC's subcontractor prequalification process entail?
- Has the construction schedule been finalized and is it detailed enough to ensure mass timber elements are installed as the owner desired?
- Has the design for the project been completed, including proper design of MEP elements?



Insurance | Risk Management | Consulting

Application & Procurement Process

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Builder's Risk Process Roadmap



Building a strong application

- Scope & Timeline
- budget, location, Geotech, Site Plans, & Renderings
- Full project schedule (Gantt preferred)

Mass Timber Components

- Type (CLT, glulam, DLT), other materials (hybrid)
- Connection systems & fastening methods

Construction Methods

- Modular/panelized approach
- Sequencing to minimize weather/fire exposure
- •Site Logistics
- Fire dept. access & hydrants
- Distance to adjacent structures
- Storage location & protection plans



Source: WoodWorks

Office

Approaching Insurers

Which house will command the best pricing? Consider the home example shown....



POSITIVE SUBMISSION CHARACTERISTICS

- 1. 3rd Party Certified Materials (e.g., PRG 320)
- CLT/MT from a reputable manufacturer
- Full certifications and fire testing results
- 2. Water & Fire Prevention Plans
- Comprehensive Water Damage Prevention Plan
- Detailed Fire Prevention Strategy & Hot Work Permits
- 3. Flood & Security Controls
- Site design reflects floodplain risks
- Strong site security: fencing, lighting, intrusion prevention
- 4. Material Handling Strategy
- Defined plan for CLT storage, handling, and erection sequencing
- 5. Experienced Project Team
- Demonstrated experience from GC, architect, SE, and erector
- 6. Risk Engineer Q&A Session
- Pre-submission dialogue with GC, architect, SE, and developer
- 7. Tailored Risk Approach
- Clear evidence this is not standard construction
- Customized SOPs and elevated attention to non-conventional risk



NEGATIVE SUBMISSION CHARACTERISTICS

- Starting the procurement process significantly later than it should have started
- Unique design or other components that would be challenging to replicate
- Nonspecific water damage prevention plan
- Many "unknowns" as to fulfillment and storage practices
- Lack of attention to the location specific risk factors
- Inexperience of project team (including AOR, EOR, GC, and Installer)
- Lack of transparency and answers to their questions
- An attempt to play down the insurer's concerns or "educate" the insurer on why they are wrong. Insurers
 are looking for a project team that has identified, evaluated and addressed material and site-specific
 risks.



Risk Mitigation

Fire & Water

- Fire Risk Considerations
- Plan for encapsulation & compartmentation
- Early suppression system installation
- Documented hot work & fire watch protocols
- Fire department coordination
- Fire protection engineer involvement encouraged

- lacktrian Water Risk Considerations
- Defined dry-in strategy
- Covered and elevated timber storage
- Moisture monitoring protocols
- Daily site inspections
- Water intrusion response plan



This concludes the American Institute of Architects Continuing Education Systems Course.

Ask us anything!



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