

Insurance rates stifle construction

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Multi-millions of dollars of construction and thousands of jobs could result if the 2010 Summer Olympic bid is awarded to Vancouver/Whistler. The announcement will be made July 2 and many are anticipating a huge economic uplift for the province, as was the case when B.C. invited the world to invest, to live and to play during Expo 86.

Some bean counters, wearing rose-coloured glasses, estimate the Olympics will have a greater impact -- more than \$500 million in direct new construction, while associated construction including the upgrading of the Sea-to-Sky highway and the expansion of the Vancouver Trade and Convention Centre means the total benefit to the construction industry could be huge.

I think the whole concept will be tremendously positive and would be surprised and disappointed if we don't get the games. At one point, I thought the fix was in for Salzburg, but have since backed away from that position. Besides, somebody must know something, otherwise why would close to 20,000 people be gathering at General Motors Place in Vancouver to hear the announcement live from Prague?

A similar, but much smaller crowd will gather in Victoria. It's hard to believe they'd be getting together to hear a negative message.

The B.C. Construction Association is counting on a positive message and hopes a big problem looming in the insurance industry will be settled soon. It's a story that affects us all.

The best illustration was that recent election in New Brunswick where the popular Conservative incumbent Premier Bernard Lord was almost defeated because of skyrocketing auto insurance rates.

Here in B.C., some say we may be saved from a similar fate because the state-run Insurance Corp. of B.C. is still around to take on the role of an equalizer. A Seattle newspaper recently stated a number of neurosurgeons suddenly had their malpractice insurance cancelled. They are in a scramble to find an insurance provider.

In our province, many roofing contractors cannot get insurance at any price, forcing them to look at self-insuring or captive insurance.

We have a situation where contractors are seeing their policies pulled, or if they are getting renewed, there's a whole list of exemptions which leave the contractor and the consumer exposed and forced to pay premiums which have been doubled or tripled.

It's not a pretty picture for Mike Geoghegan, president and chief executive officer of the B.C. Construction Association, who says the insurance sector blames a number of things, such as Sept. 11, worldwide terrorism and business scandals such as Enron.

His own sense is that the insurance industry heavily invested in stock markets which have subsequently nose-dived, drying up a lot of their reserve capital. Now, they are moving to reduce risk while increasing rates for the comparative little risk they are still willing to cover.

To make a bad situation worse, B.C.'s civil servants are trying to push more and more in the way of liability onto the construction industry while, Geoghegan suggests, deliberately turning a blind eye to the fact the insurance sector is backtracking.

This is leading to a situation where reputable contractors will be driven out of business, creating increasing opportunities for more and more fly-by-night operators who work without insurance. If something goes wrong after a project is completed, tough luck, that company may have folded or dissolved.

The most troubling example has to do with the tragedy of rotten, leaky buildings. Thousands of people have gone through the heartache of mouldy or leaky condos, which had a lot to do with changes to building codes in the late 1980s.

Government continues to deny everything and admit nothing for fear that would make them liable for millions in repair costs.

Alone, owners have gone through the nightmare, gathered up the funds to do the work, only to discover, all too often, the insurance industry has told the contractor that if they do any "envelope remediation work," their insurance will be pulled, immediately.

With no coverage, strata owners are left with fewer options in the search for competent workmanship.

The situation is desperate. What's needed is for government, the insurance sector and the construction industry to sit down before things get to the point where we see even more victimization of an unsuspecting public by unscrupulous contractors.

Frankly, if this is not dealt with soon, it could have a major impact on the economic recovery of British Columbia. As stated, the government is in denial, but the day is fast approaching where the construction industry, as a single unit, may have to go into the insurance market to get one company to cover them all, rather than being at the mercy of companies that cherry-pick only certain contractors.

As things stand, if you own a major construction company and have been with a certain insurance provider for decades and if it pulls the plug, you are left scrambling to find a new insurance source.

On dollar volume alone, the construction industry is the largest economic force in this province. That should be enough to ensure victory if they march, as one entity, into the insurance market and stipulate it's winner-take-all, with no cherry picking of companies representing only the cream of the crop.

Roofing contractors are being forced to move in that direction because, on an individual basis, many insurance companies are not interested in insuring them at any price.

All these problems might have been avoided if the braintrust in charge of the federal building code remembered, as kids, we were taught not to stick our head in a plastic bag or we'd suffocate.

In effect, the government told us to stick our houses in a plastic bag -- and are now surprised when our homes are suffocating.

Listen to Joe Easingwood on C-FAX 1070, where he hosts "Newsline" weekdays from 8:22 to 11 a.m.