



Wrap-Up Projects Understanding Insurance Coverage Issues

With a wrap-up policy, you have the potential of sharing in a uniform coverage policy with a high general liability limit, but there are often gaps in coverage, higher administrative costs, and significant policy idiosyncrasies that should make you think twice about using the wrap-up coverage alone to manage your risk.

What is a Wrap-Up

'Wrap-Up' is the common name for a consolidated insurance program (CIP) designed specifically for construction projects. The specific program names vary and typically describe the entity in control, such as **OCIP**, Owner Controlled Insurance Program or **CCIP**, Contractor Controlled Insurance Program. Unlike traditional insurance coverage, a wrap-up program provides the different trades on a construction project with coverage under one master policy. A wrap-up may cover commercial general liability, workers compensation, and/or excess liability coverage for all enrolled participants. Auto liability and off-site exposures are not typically covered. Professional liability is also excluded in most wrap-up policies.

Advantages of Wrap-Up Projects

There are many advantages for the **entity in control** to coordinate a wrap-up policy for a project. Typically a wrap-up policy has coverage limits higher than many of the sub-contractors can obtain individually. In addition, one master policy eliminates the need for subcontractors to supply proof of adequate insurance or provide additional insured status.

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Other advantages include:

- Broader coverage than could be offered to individual contractors
- Potential insurance savings due to the consolidation of coverage
- Formalized safety efforts and centralized loss control due to one carrier
- Fewer legal cross suits if there is a claim
- Elimination of uninsured or underinsured contractors and subcontractors
- Liability coverage typically includes the length of the project, as well as completed operations coverage for a specified time after the project has ended (see disadvantages)

Disadvantages

On the other side of the coin, wrap-up policies are not standard and can vary greatly from each other. The responsibility to review the wrap-up coverage falls on you, or a trusted advisor, such as your insurance agent. Unfortunately, getting a copy of the policy to review is sometimes easier said than done.

Other disadvantages include:

- No coverage for your vendors, suppliers, or material dealers
- There may be no coverage for off site work, such as fabrication and design
- Professional liability of architects and engineers are often excluded
- Uncompensated administrative costs
- Completed operations coverage may be less than the statute of repose for the state
 - If wrap-up jobs are excluded from your primary insurance program, there is no coverage for losses that happen after the wrap-up policy is concluded and the statute of repose for the state in which the project is located.
- Wrap-up policies and coverage vary significantly. You must read and understand the job specific policy
- Termination clauses within the contract may favor only the entity in control
 - The clause may allow the entity in control to cancel the wrap-up policy after the job has been completed, leaving the subcontractors without the protection of completed operations coverage.
- Claim deductibles may be significantly higher than your primary policies

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- The waiver of subrogation may not be adequately designed for the subcontractor
- Coverage limits on the wrap-up policy may not be large enough to cover for a catastrophic loss, especially if the project has grown in scope and cost during the construction phase

Conclusion

Wrap-up policies often have gaps in coverage, higher administrative costs, and policy idiosyncrasies that should make you think twice about using the coverage **alone** to manage your risk.

The decision to participate in a project with a wrap-up policy is not an easy one and the decision must be made only after thoroughly absorbing all available information. Get your insurance agent, company attorney, or other trusted advisor involved in the process. Among all the project specific questions asked during the bidding process, also ask yourself: Are wrap-ups excluded from my primary insurance program? What is the potential impact for exposures not covered in the wrap-up policy? What options are available to cover these exposures?

As with all contracts, sweat the details. The additional time spent in the bidding process, will pay off in the end. Moreover, be prepared to walk away or carry additional coverage for wrap-up projects that expose your company's assets.

WRAP-UP POLICIES ARE ALL DIFFERENT PROTECT YOUR COMPANY by SWEATING THE DETAILS

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