

Wrap-Ups

Businesses routinely have to consider projects involving building something big. Consider a growing realty firm that likes its current location, but needs a major upgrade in office space or a retail clothing chain that wants to expand. Such businesses usually hire construction firms to handle building an addition or a new store. In such instances, the hired (general) contractor handles leading the project, arranging for other, smaller contractors (sub-contractors) to handle parts of the overall job. However, things are handled differently for major building jobs, such as highway projects, airport expansion, hospital construction, building a manufacturing center, etc. In such instances, the entity that owns the project may want to have more control. This concern often has to do with a wish to ensure that the project remains safer and less expensive. One area of particular concern is the way the project's insurance coverage is handled. One method is called a Controlled Insurance Program or Wrap-up.

A wrap-up is a sponsored insurance program covering all parties involved with a particular, typically major, construction project. The sponsor can be the owner of the project. An owner-sponsored wrap-up is called an Owner Controlled Insurance Program (OCIP). The sponsor can be the general contractor of the project. The general contractor sponsored wrap-up is called a Contractor Controlled Insurance Program (CCIP). On rare occasions the owner and contractor jointly sponsor the project.

The standard lines of business in a wrap-up are Workers Compensation, General Liability, Excess or Umbrella and Builders' Risk coverages. Professional and pollution policies are sometimes included. There is no ineligible line of business. The traditional wrap-up gains much of the savings from the Workers Compensation coverage. Therefore, there are few, if any, traditional wrap-ups without Workers Compensation coverage.

Any type of risk the sponsor, broker and insurance company can agree upon can be written in a wrap-up subject to state laws. The greater consideration is which types of risk should be covered under a wrap-up. Only risks that can more than offset the cost of administration and risk management by cost savings and/or coverage advantages should consider this approach.

The parties generally covered by a wrap-up are the following:

- o The project owner
- o The general contractor
- o The subcontractors
- o The sub-sub contractors

There are benefits for most parties. The project owner and/or general contractor may obtain substantial savings from controlling insurance costs, reductions in worker injuries, broader coverage and a greater chance that the project will be completed on time. Subcontractors may more easily participate in such projects since they don't face the cost of purchasing separate insurance and they may gain risk management services not normally available to them. Of course, there are also potential problems. In some instances, project savings from a wrap-up may not occur and the plan may end up being very expensive to administer.

If your business is facing a significant construction project, it may pay-off quite well to seek the help of a qualified insurance professional.

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