

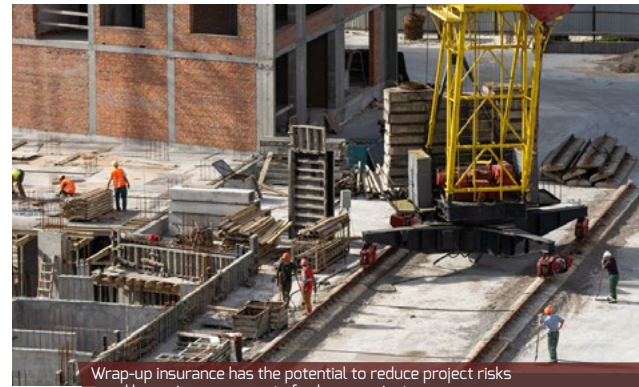
# The Advisor

## Using wrap-up insurance for construction projects

For large construction projects, using a wrap-up insurance program instead of a traditional liability insurance program has the potential to reduce project risks and lower insurance costs.

### What is wrap-up insurance?

Wrap-up insurance is an insurance program that allows the owner of a construction project or the general contractor to secure broad liability coverage that protects the owner and the contractors that will be working on the project. It's an alternative to a traditional insurance program, where each party is required to obtain their own insurance policies. There are two types of wrap-up insurance programs: owner-controlled (OCIP) and contractor-controlled (CCIP).



Wrap-up insurance has the potential to reduce project risks and lower insurance costs for large projects.

Wrap-up programs most commonly include general liability, umbrella/excess and workers' compensation coverages. With wrap-up insurance, coverage is bundled into one cohesive set of insurance policies, which can provide a variety of benefits.

These programs typically work best for projects that cost more than \$100 million.

### What are the benefits of wrap-up insurance?

- **Consistent coverage:** Having a liability insurance program that extends to most contractors working on a project helps eliminate coverage gaps by ensuring there's adequate, consistent coverage for those involved.
- **Additional insight:** Project owners and general contractors have more insight as to what is and what isn't covered by the insurance policies that are in place.
- **Lower costs:** Because insurance is purchased in bulk for a group, wrap-up insurance can reduce total insurance costs involved with a project, and contractors can remove insurance costs from their bids. The most meaningful cost-savings with wrap-up insurance, however, are realized when there is strong safety performance and solid program administration on the project.
- **Streamlined claims:** In the event of a claim, there are fewer insurance companies and adjusters to work with to reach resolution.
- **Reduced litigation risk:** Since the same set of insurance policies covers most contractors involved with the project, a wrap-up program can reduce litigation between general contractors and their subcontractors.

## What are the drawbacks?

- **Decreased coverage for some:** Often, wrap-up insurance offers better coverage than a contractor could secure alone. But there could be a situation where an experienced contractor would have less robust coverage under the consolidated insurance program.
- **Higher retentions:** Retentions for wrap-up insurance typically start at \$250,000, which is higher than traditional insurance programs.
- **Doesn't apply to all:** Smaller subcontractors and safety subcontractors can't be controlled by the wrap-up program, and neither can contractors who are working off site for the project.
- **Less ownership:** Contractors might be less incentivized to control losses, since they weren't responsible for securing the insurance coverage.
- **Regulatory challenges:** State laws governing wrap-up insurance vary. In general, wrap-up insurance programs tend to be less common in states with monopolistic workers' compensation insurance – since workers' compensation usually is a large component of the program.
- **Collateral:** Depending on the program, collateral might be required to secure coverage.
- **Program complexity:** Regardless of who controls the program, wrap-ups require significant administrative infrastructure (dedicated safety, enrollment, and reporting capabilities).

## What are contractors required to do?

With wrap-up insurance, either the project owner or the general contractor can be responsible for purchasing the insurance program. When the contractor controls the program, it brings the need for additional oversight and management. Specifically, contractors need to:

- Work with their insurance broker to select the right insurance company partner and the appropriate coverage for the project
- Provide underwriters with information about on-site safety programs and subcontractor prequalification measures
- Administer the wrap-up program, including reviewing and approving documents, enforcing contractual requirements of the program and handling any claims
- Post collateral

The corporate surety team at Schauer Group can help evaluate whether a wrap-up insurance program is feasible for your next construction project. **If you'd like to discuss this topic, please reach out to your Schauer Group advisor.**

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## SOURCES

[The Complete Guide to Owner-Controlled Insurance Programs \(OCIP & CCIP\) | construction coverage](#)

[Wrap-Up Insurance: Definition, 2 Main Types, and Coverage Example | Investopedia](#)

[How Wrap-Up Insurance Cost Savings are Realized | Insurance Journal](#)



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