

# The CONSTRUCTION Zone

## Media Watch

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Date: Winter 2006 (December 28, 2006)

Title: Wraps 101: A Guide to Construction Insurance Page: 7

Circulation: 10,000+ Ad Value: \$270

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### Wraps 101 A Guide to Construction Insurance

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Although the details and coverage provided under these insurance policies can be confusing, wraps are fast becoming a staple in the construction industry. These policies are designed specifically for construction companies - wraps put all contractors and subcontractors together under a single policy, providing the benefits of group coverage protection for all parties involved on a given construction project.

During the bidding process, the insurance company offers a standard amount of coverage for all subcontractors, generally a tiered-cost based on the risk type, as well as including the subcontractors' own cost under their Commercial General Liability (CGL). Wraps also include a sliding scale based on the size of the contract. Wraps can be categorized as Owner-Controlled Insurance Programs (OCIP) or Contractor-Controlled Insurance Programs (CCIP).

OCIPs insure the owner, the construction manager, the general contractor, all subcontractors, as well as the architect, the engineer and the surveyors under the same policy. This policy usually includes workers' comp, general liability, umbrella liability, payment & performance bonds, and builders' risk insurance in one policy.

The benefits of the OCIP program ranges from avoiding duplication of coverage - which in turn reduces premium costs - all

the way to eliminating the need for additional insurance since the project insurance is provided by the owner.

This wrap-policy approach also helps to eliminate lawsuits against subcontractors since they are now all under the same policy. OCIPs require coordinated safety programs which then bring savings greater than the cost of paying someone to run this program.

These safety programs eliminate the need for each subcontractor to give a performance bond - this, in turn, then brings substantial savings. Subcontractors which couldn't afford a bond can, under a wrap policy, still bid on the work, resulting in increased competition and lower bids.

CCIPs are useful for contractors who want to wrap several projects with different owners. If an owner doesn't want to run a safety program, a CCIP helps because monitoring and enforcing project safety remains with the contractor.

Wrap insurance policies can help control the constant fight against litigation. The wraps ensure that there is one single defense, rather than lawsuits on all levels of involvement. It provides a "one for all" defense strategy, and it helps reduce cross-litigation. ♦

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