Wraps ups are a good thing for the construction industry. If carriers are avoiding writing insured's that participate in them, they are missing out.

The owner of the construction project prescreens every contractor and subcontractor that comes onto the job site. It is a very stringent process. If a subcontractor has a high mod, they won't be allowed to work on the job. No one is allowed to work on the job without being prescreened.

The contractor/subcontractor is required to carry a regular workers comp policy for off-site jobs to participate in the wrap-up project. The carrier can put a designated workplace exclusion endorsement on the off-site policy to exclude the wrap-up/ocip project on the policy, as long as we obtain the information from the insured. Even so, if that endorsement is not on the policy, it would be easy to prove the location of the accident (provided people are honest) and it still would not fall onto our policy. The wrap-up would respond.

I have no objections to an insured working on these projects or having that in their history.

I found the below article on Google to explain Wrap Ups. I am more of a novice on this coverage. I do not understand why some carriers do not like to write contractors who have Wrap Up coverage history. What risk is it to the carrier? It seems the burden is more on the owner of the project to me.

What is a wrap-up? Simply put, a wrap-up changes the way liability and workers compensation insurance is procured for large construction projects. Traditionally subcontractors provide their own insurance as required by the owner for a particular project. In addition, the owner may purchase a contingency policy to protect their own interests. This is also accomplished with other "risk transfer" methods such as hold harmless agreements and additional insured provisions on behalf of the owner.

As owners began to:

- identify the cost of insurance the subcontractors were placing in their bids,
- see additional insured endorsements that restricted coverage, and
- review subcontractors' policies that were deficient in limits and coverage,

they desired other means to handle insurance for their construction projects.

Wrap-ups became the coverage of choice for these projects. In short, a wrap-up does exactly what it says. It wraps up all the worker compensation and general liability insurance for all onsite contractors (including the general contractor or construction manager) and owners of the project site. The premium for this insurance is paid for by the owner and in return all participating contractors reduce their bid prices by the cost of their own insurance.

Benefits of a Wrap-Up

While it may not always be the primary reason to do a wrap-up, cost savings is a key factor in doing a wrap-up program. As discussed above, contractors always place into their bids an estimated number to reflect the contractors cost of insurance for that project. Depending on certain factors, such as type of work the subcontractor is performing and where the work is being performed, the subcontractor's insurance cost can range from 2-8 percent of their estimated contract value. Similarly, the general contractor will include a cost for its insurance which may be approximately 1 percent of the *project's* construction value.

Add to this the insurance that an owner may purchase as contingency coverage. What we begin to see is that the typical $100 million construction project may have buried in the contract price approximately $6 million in insurance costs. Well, simple logic dictates by using economies of scale and reducing mark-ups alone we should be able to purchase a single insurance program for the entire project for less than $6 million. We do this by emphasizing safety first and a strong claims management program. Rather than paying the contractors a "fixed price" for their insurance, a program is designed whereby the final cost of the wrap-up is a variable based on general liability and workers compensation losses.

Notwithstanding the obvious cost savings, the ability to control the coverage and limits is becoming a popular reason for wrap-ups. This is particularly true in residential construction, where at times the only means to being sure that the contractors have residential construction insurance is through a wrap-up program. Today, many contractors' insurance policies have residential exclusions and other coverage restrictions. By instituting a wrap-up, the owner now controls the coverage and is able to enhance through "bulk buying" the proper insurance coverage and ability to buy higher levels of protection not otherwise provided by the subcontractors.

An often-overlooked reason for a wrap-up is its ability to facilitate Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) requirements. On many public projects where the controlling government authority may require minority participation, a wrap-up may be the only means available to provide consistent coverage to all participating contractors. Without this tool, many minority contractors may not have the depth of coverage required by the public entity and therefore would be unable to bid such jobs.

Project Size

Critical mass is what actually makes the wrap-up work. Insurance companies generally look for projects with at least $100 million of hard construction cost. By being able to underwrite larger projects, insurance companies can more easily spread their risk among the large numbers. Smaller projects will not yield the level of savings necessary for the owner to consider the "risk" of an upswing in cost arising out of poor safety results.

Conclusion

My goal in this article is to provide a brief and succinct explanation of a topic that many find somewhat confusing. Wrap-ups continue to be popular as a means of not only reducing the ultimate construction cost of the project, but as an excellent tool that provides quality coverage and protection that may not otherwise be provided by the contracting community.