Expert Commentary

Wrap-Ups: Back to Basics

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It has occurred to me that while I have written many articles addressing current wrap-up issues, we have somehow swayed from the basics of what a wrap-up is and why to consider one. The sole purpose of this article is to bring us back to the ABCs of controlled insurance programs. This will also help some of our new readers catch up on this popular insurance subject.

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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