



**CORPORATE  
EXPOSURE:  
Wrap-Up  
Insurance  
(Part 2)**

*Harry P. Mirijanian*

Last month we gave an overview of "wrap-up" insurance, which combines all the contractors and subcontractors for a construction project under one policy. We also listed some of the benefits wrap-up policies can provide. This month we list additional benefits.

• *Contractor bidding.* Under a wrap-up program, contractors are submitting bids without insurance costs included. This makes it easier to evaluate one contractor over another. Cost is only one variable, however. Ultimately, performance is far more important. Evaluating bids is much less trouble when there is one wrap-up policy rather than having individual insurance costs built into the job by each contractor.

• *Safety.* As we noted last month, specific programs can be implemented around the project, creating uniform standards and moving toward the elimination of each contractor accusing the other for the loss. One or more safety representatives can be retained to oversee the entire project. Some contractors are too small to have their own safety coordinator, or even the resources to remain current on appropriate federal, state, and best practices regarding safety methodology. Under a wrap-up program, there is usually one insurance safety representative who will visit the project, which simplifies matters considerably. Instead of safety representatives from different carriers visiting the project—each with a separate narrow

safety perspective that applies only to their insured—the safety loss rep from the carrier must now consider the entire project in any recommendations offered. What is good for one contractor should not adversely affect another. Many believe that safety programs (their development and implementation) are reason enough for purchasing wrap-up insurance.

• *Loss management.* Claims consolidation including the establishment of first aid programs can be cost justified. Having on-site medical staff and claims reps facilitates the steps involved in managing the loss. Consolidated loss reports identifying trends and patterns are available because all the losses are reported to one single point instead of each contractor monitoring its own loss information. Often, one claims adjuster is assigned the responsibility for handling all the losses developing out of the project. This adds a sense of uniformity, which saves money and cuts down on finger-pointing.

*A problem with wrap-up policies: the administrative nightmare as one individual tries to coordinate hundreds of contractors.*

• *Theft.* Although theft is not a specific objective, we have worked with various contractors who believe wrap-up insurance reduces theft-related losses. With various contractors coming on and off the job, it would be difficult to identify what equipment belongs to which contractor. By placing all the equipment under one policy and accounting for each piece

of equipment on the project list, we noted on one project, in particular, a reduction in the number of equipment losses.

• *Administration.* One organization, or one individual, can be assigned all administrative duties, which eliminates this requirement from independent contractors and sub-contractors.

**Any Problems?**

Ironically, it is this last benefit, administration, that has given rise to the only two complaints we have heard about wrap-up policies over a period of several years. The first is the administrative nightmare of one individual trying to coordinate hundreds of contractors on a project. Fortunately, computer technology has simplified this process markedly. The second complaint comes from the contractors that dislike lessening control of safety and claims issues—of letting the project owner get into their business. For example, contractors lose the ability to "non-report" losses or drop insurance policies as they may deem in their best interests at a given point in time.

Overall, the success everyone involved with wrap-up insurance has experienced leads to the consensus that it is the best means for protecting everybody's interests. In fact, the approach has been so successful that many insurance industry experts are suggesting wrap-up insurance be expanded to non-construction policies as well. We advise our readers to stay tuned. ■

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Published as a supplement to the December 1996 issue of *Management Review*.

Finance Forum Editor: George Milite.  
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