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## PRACTICE GROUP: CONSTRUCTION

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### WRAPS ARE POPULAR, BUT ARE THEY RIGHT FOR YOUR PROJECT?

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Over the past 15-20 years, wrap up insurance policies, otherwise known as owner/general contractors controlled insurance policies (OCIP/CCIP), have become much more commonplace for insuring construction projects. Providing general liability and excess coverage, the use of these policies was driven mostly by the need to insure multi-family residential projects due to the proliferation of residential exclusions on standard general liability policies. The use of OCIP/CCIPs however, has spread to larger commercial and public projects due to some significant advantages they offer when compared to the standard method of insuring projects, which entails that every contractor provides their own insurance.

One of the most compelling reasons for OCIP/CCIP proliferation is the security received by the owner or general contractor s from knowing that the coverage forms will be high quality and consistent for all contractors of all trades performing work at the project site. Should contractors who enroll in wraps rest easy trusting that OCIP/CCIPs, as broadly worded insurance policies, will take the place of their own carefully crafted insurance programs? Unfortunately, that is not always the case. Therefore, any party enrolling into an OCIP/CCIP must

take great care. Careful examination and review of these policies is warranted. There are still many areas where OCIP/CCIPs may leave a contractor lacking.

#### POLICY LIMITS AND LENGTH OF COVERAGE

OCIP/CCIPs must have adequate limits and be in effect for the period of construction through the applicable statute of limitations. Therefore, it's important that there be sufficient limits to handle all losses during this time period. Some important questions to ask would include:

- Are limits provided adequate for the risk associated with a given project?
- Do the general aggregate limits reinstate during the policy period?
- Does the policy agree to provide coverage beyond the pre-determined expiration date should construction last longer than anticipated?
- Is repair/punch list item work covered through the statute of repose?

#### POLICY EXCLUSIONS

OCIP/CCIP policies, like your standard general liability policy, have many exclusions that limit or remove coverage and, in some cases, can be more restrictive

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than the contractor's annual practice policy. Contractors enrolling in an OCIP/CCIP should make sure that these exclusions are acceptable for their operations. Some common examples to watch for are:

- Subsidence exclusions. This should be of particular concern for any trades involved in excavation and foundation work.
- Total pollution exclusions may also be included with no exceptions for building mechanical systems or hostile fire.
- Exclusions for installation of material that is manufactured or fabricated off-site. This should be particularly concerning for those trades that will do this work fabricate product at their home shop and then transport the material to the jobsite for installation.
- Property damage to the building being constructed may also be excluded. While the presence of a builder's risk policy is the first line of defense for this kind of loss, it can be a much more problematic issue for those jobs that involve renovations of existing structures, since builder's risk will not cover damage outside of the scope of the project itself.
- Failure to remove or modify exclusions pertaining to damage caused to property you are working on at the time of the accident or for claims of faulty workmanship after the work is completed. These are commonly referred to exclusions J, K, and L, and can be very problematic.

#### ADDITIONAL CONSIDERATIONS

There are additional areas of concern that fall outside the standard exclusions and often get overlooked.

- The definition of the coverage area of the project should include a wide enough radius (1,000 to 2,000 feet) to cover incidents that occur in close proximity to the project. Staging areas and adjacent locations also should be included.
- Cross suits exclusions should be modified to preserve rights of all parties to pursue claims against other enrollees.

It is always important to remember that OCIP/CCIPs are general liability policies that can be negotiated to provide broad, project-specific coverage for all those enrolled. The examples above are certainly not exhaustive and it's best to spend time to understand what kind of coverage you are receiving. Asking for the OCIP/CCIP handbook and a list of all forms is the best way to begin your review. Individual endorsements can then later be requested if necessary, so that the details of the coverage can be explored. An experienced construction risk management team can help aid in this process to ensure your programs are adequate for the level of coverage your organization needs.