



# **Extra Dimensions for Construction Insurance— Are They Tightly Wrapped?**

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“Advocates For Policyholders in Insurance Coverage Disputes”

[www.sdvlaw.com](http://www.sdvlaw.com)



# Module Objectives

- Understand ideal coverage under wrap-ups
- Understand difference in coverage between corporate and wrap-up insurance programs
- Identify potential gaps created by
  - Length of coverage
  - Location of coverage
  - Exclusions (corporate and wrap-up)



# Corporate Insurance Program

**Owner**

**Workers'  
Comp  
Coverage**

**CGL  
Coverage**

**Employers'  
Liability  
Coverage**

**General Contractor**

**Workers'  
Comp  
Coverage**

**CGL  
Coverage**

**Employers'  
Liability  
Coverage**

**Subcontractors**

**Workers'  
Comp  
Coverage**

**CGL  
Coverage**

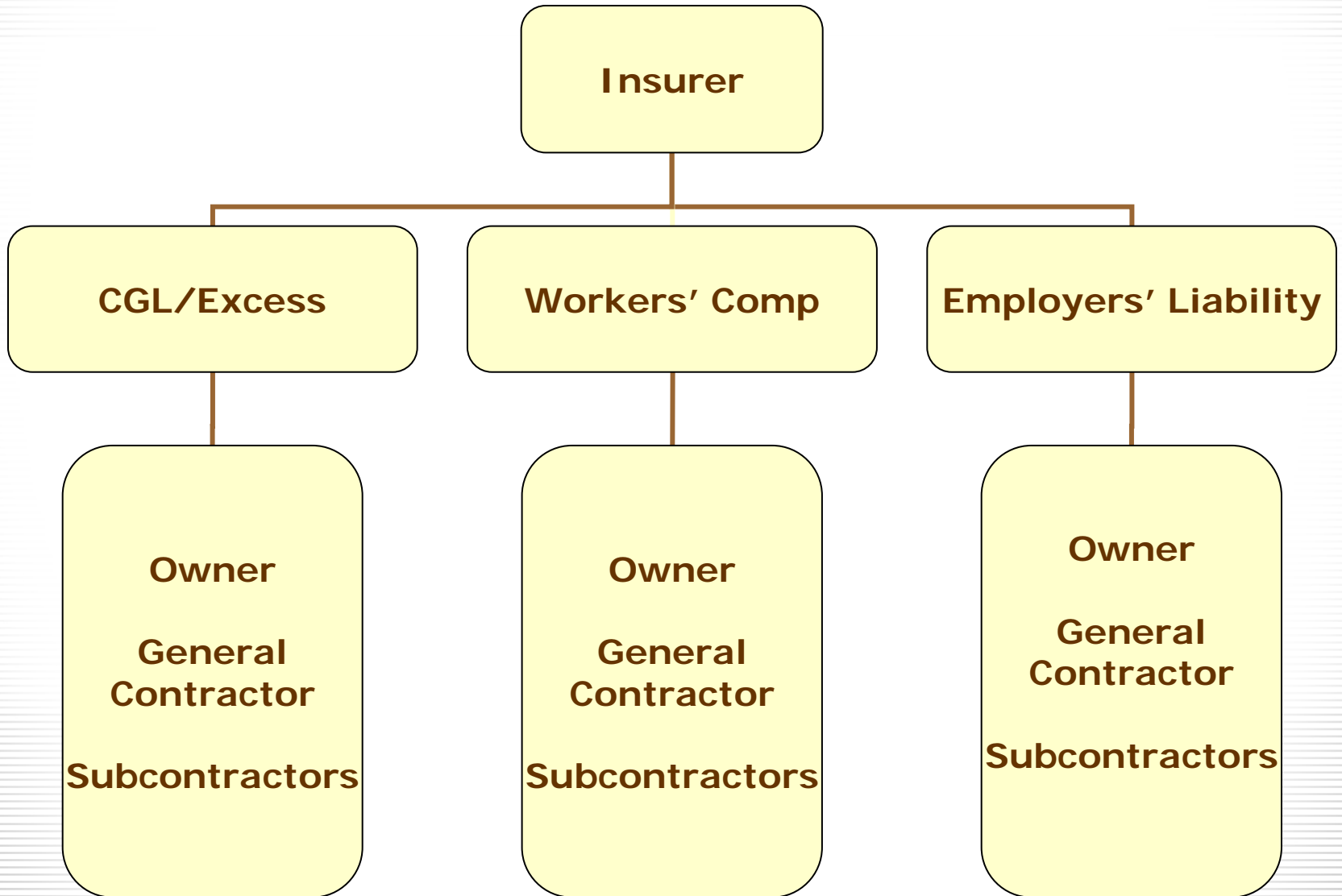
**Employers'  
Liability  
Coverage**

**Owner is AI**

**Owner is AI  
GC is AI**



# Wrap-Up Insurance Program



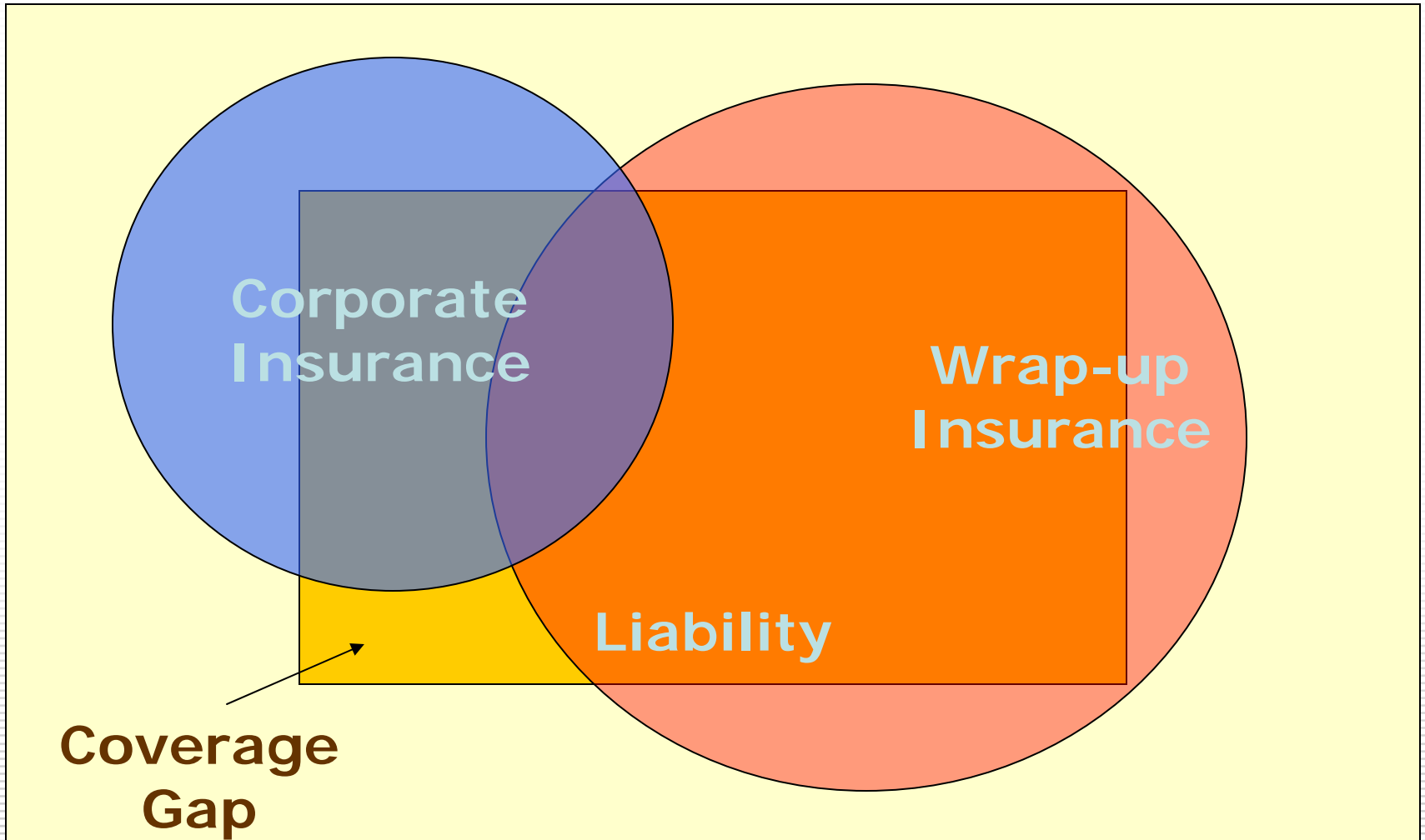


# Wrap-Up Goals

- Save premium dollars
- Improve insurance coverage
- Improve jobsite safety
- Improve claims outcome
- Reduce defense costs



# Avoiding Gaps in Coverage





# Potential Wrap-Up Gaps

## Coverage

- Scope
- Project location description
  - Off-site exposures
- Length of coverage
  - Completed operations
- Who should be enrolled?
- Limits and deductibles

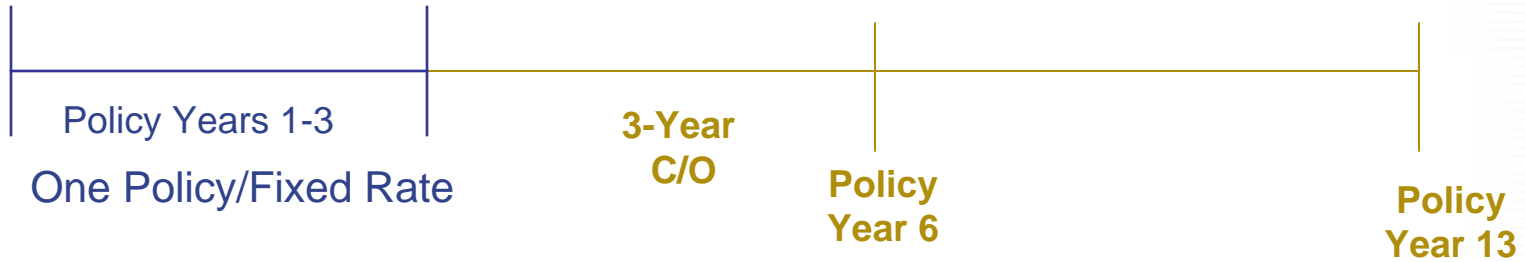


# Completed Operations

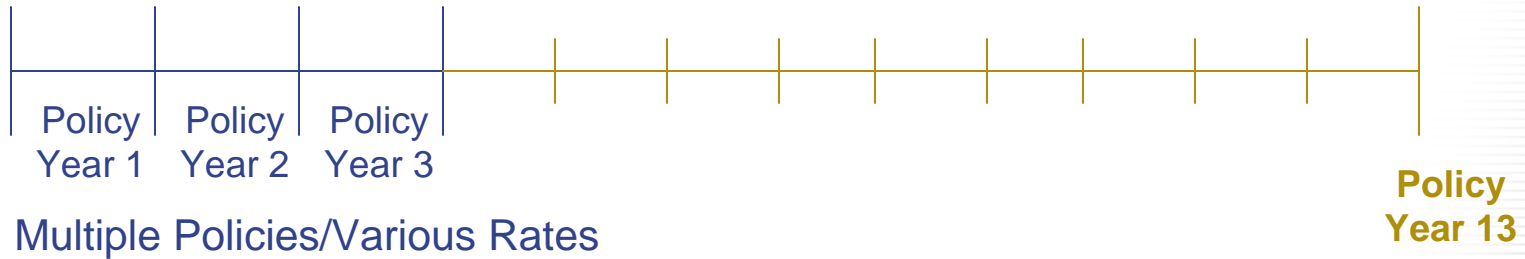
Project Period

Completed Operations

Wrap-up  
Insurance



Corporate  
Insurance



**Corporate insurance policy  
covers completed operations for  
that policy year only**



# Corporate CGL Policy

## ➤ Excludes

- Wrap-up project by name
- Blanket wrap-up exclusion

OR

## ➤ Covers

- Period beyond completed operations
- Above wrap-up limits
- Insolvent wrap-up
- May drop down if wrap-up excludes coverage

Completed Operations



# Corporate CGL Endorsement #1

Excludes:

“ongoing operations or operations included in the ‘products-completed operations hazard’ ... as a consolidated insurance program ***has been provided.***”

Corporate insurance **may** cover completed operations period from year 3 through year 13



# Corporate CGL Endorsement #2

Excludes:

“any Wrap-Up that You are or ever were involved in.”

Corporate insurance **will not** cover any claim in year 3 through year 13



# Corporate CGL Endorsement #3

Excess to:

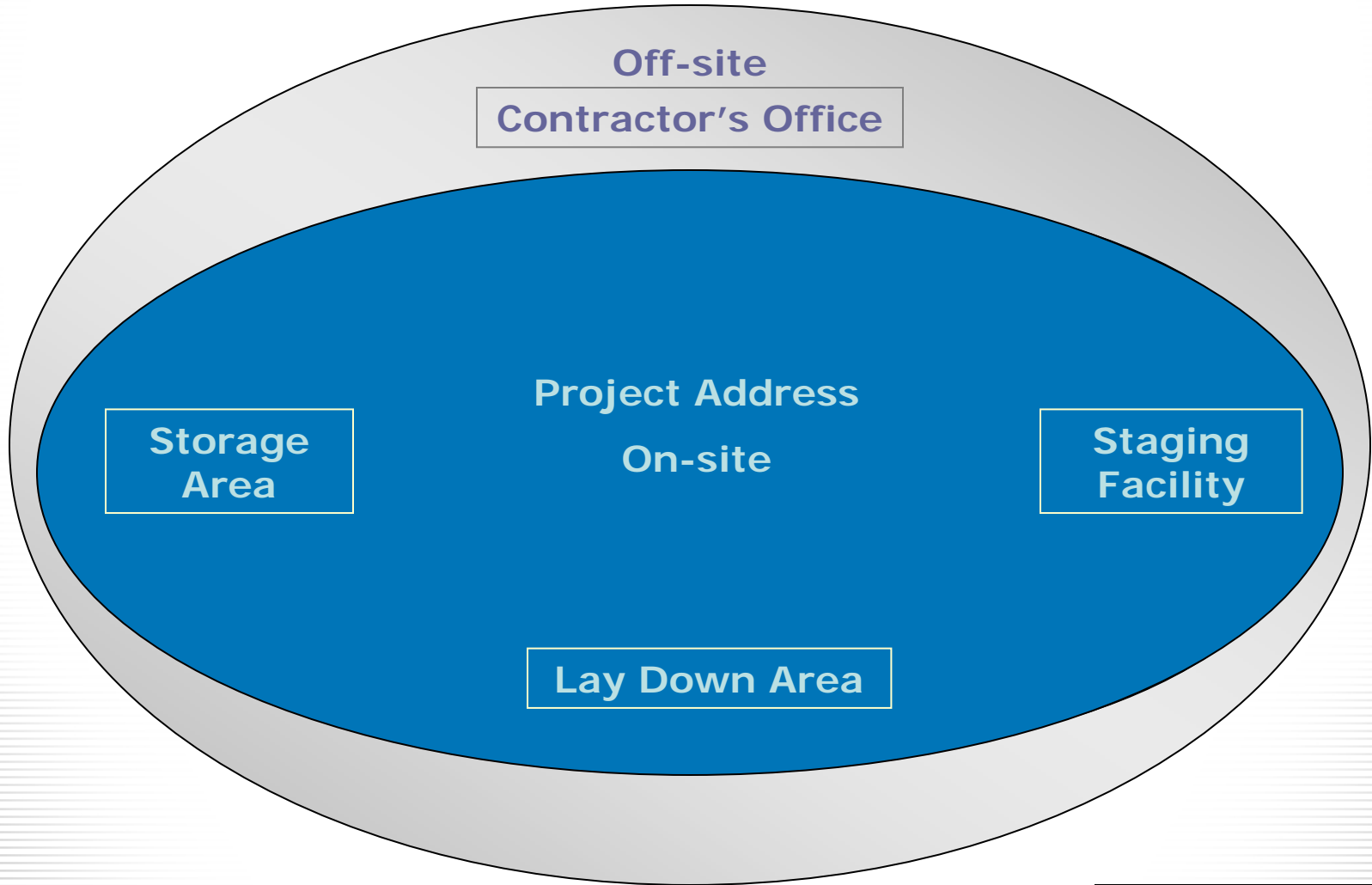
“Wrap-Up... in which You are, were, or became a participant”

- ✓ Best coverage possible
- ✓ Provides coverage on a DIC basis
- ✓ Can be provided (ask!)

Corporate insurance **will** cover any claims in year 3 through year 13 along with any excess coverage during construction



# On-site/Off-site





# Other Potential Coverage Gaps

- Wrap-up coverage limited
  - Only WC and GL
  - Wrap-up limits shared and/or insufficient
  - Professional and pollution exposures



# Contractual Indemnity Coverage

- What is contractual indemnity?
- How is it covered?

Insured Contract

Contractual  
Indemnification



# Additional Insured Coverage

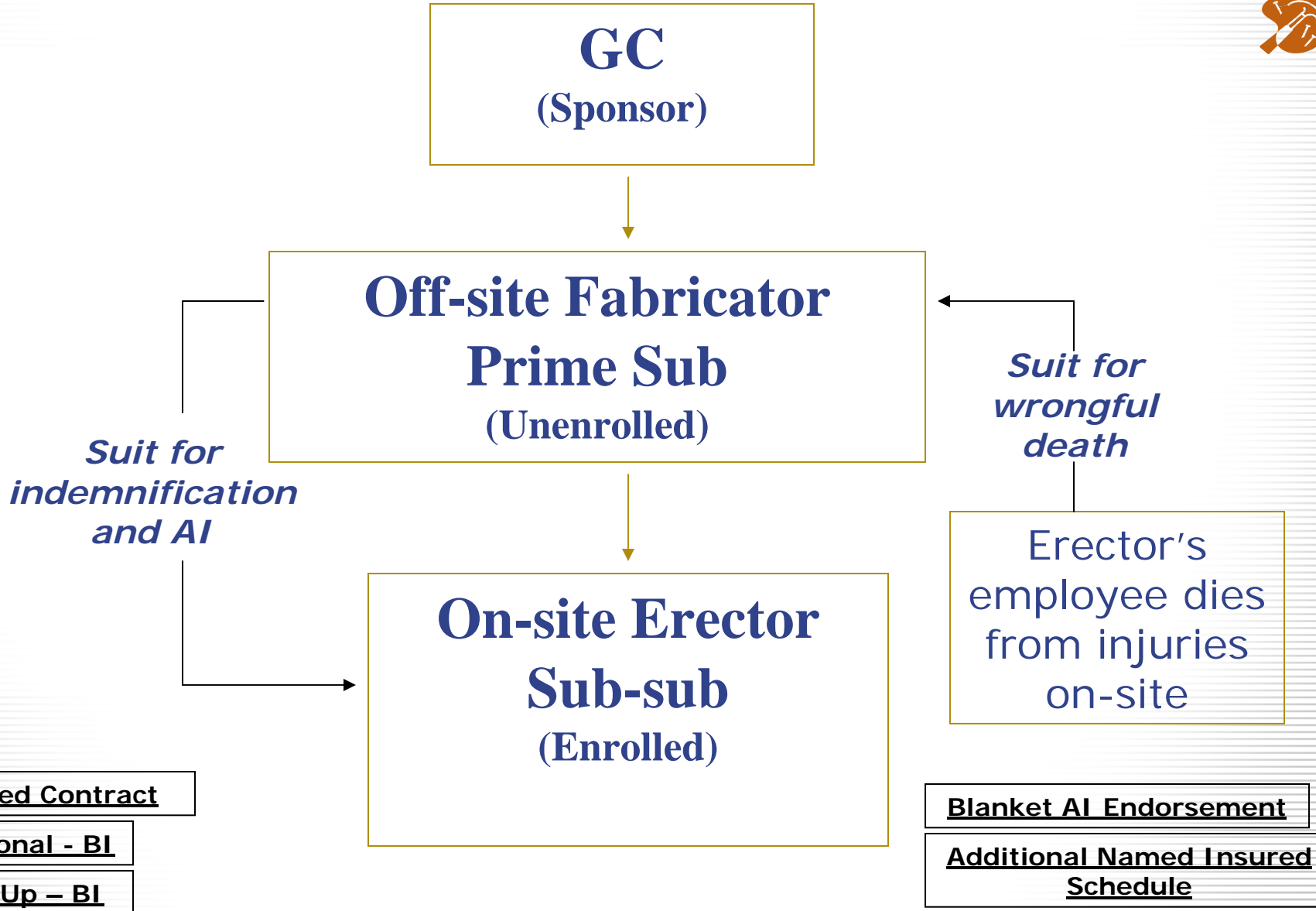
- When is AI relevant in a wrap-up?
  - Unenrolled subs
  - Off-site

**Blanket AI**

**Wrap-Up Endorsement**



# Example 1 Unenrolled Subcontractor (CCIP)



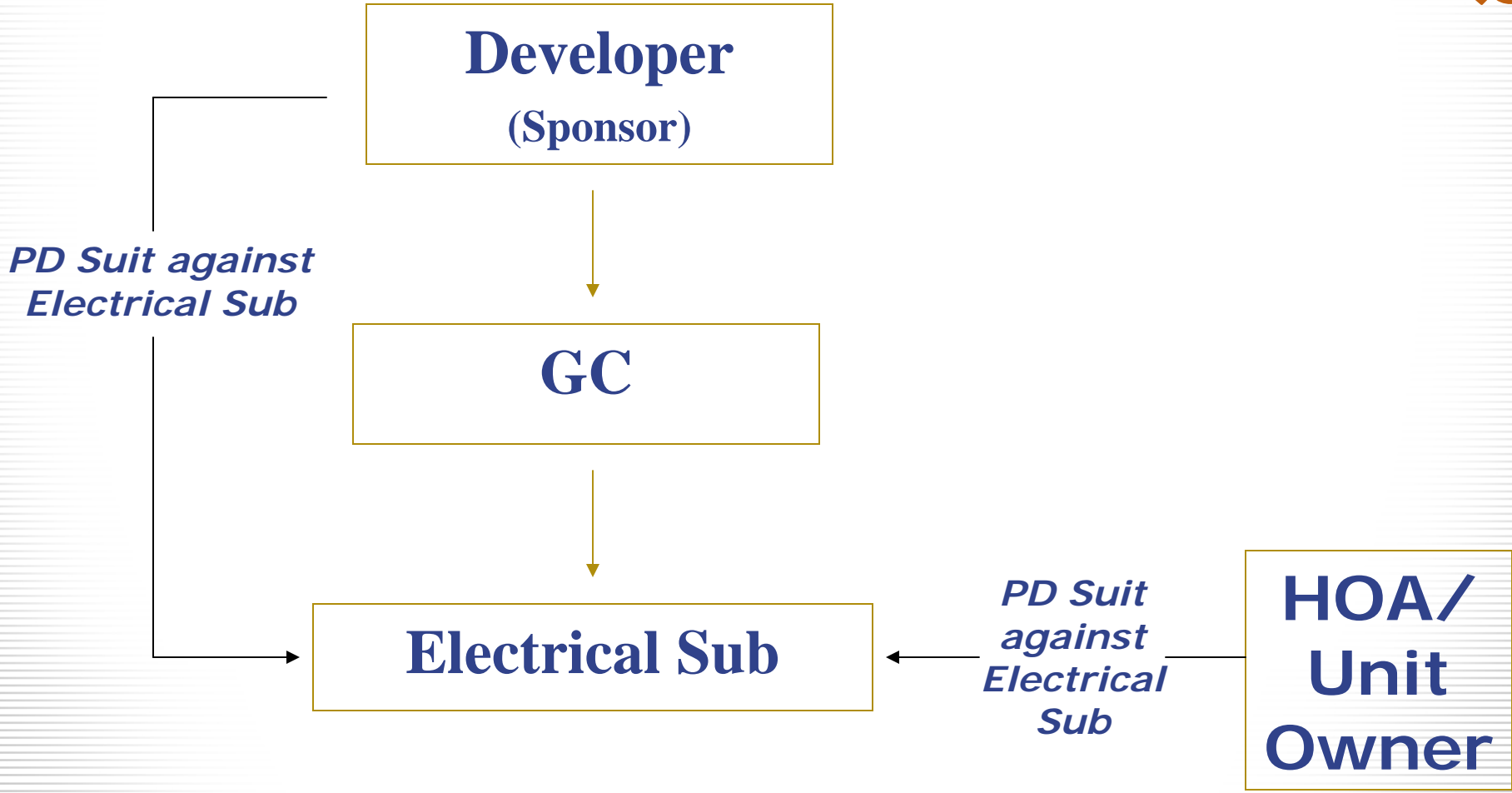


## ➤ Issues to Consider

- AI and indemnity issues still a factor with wraps
- There may be coverage for unenrolled subs
- Need to balance whether to enroll off-site subs

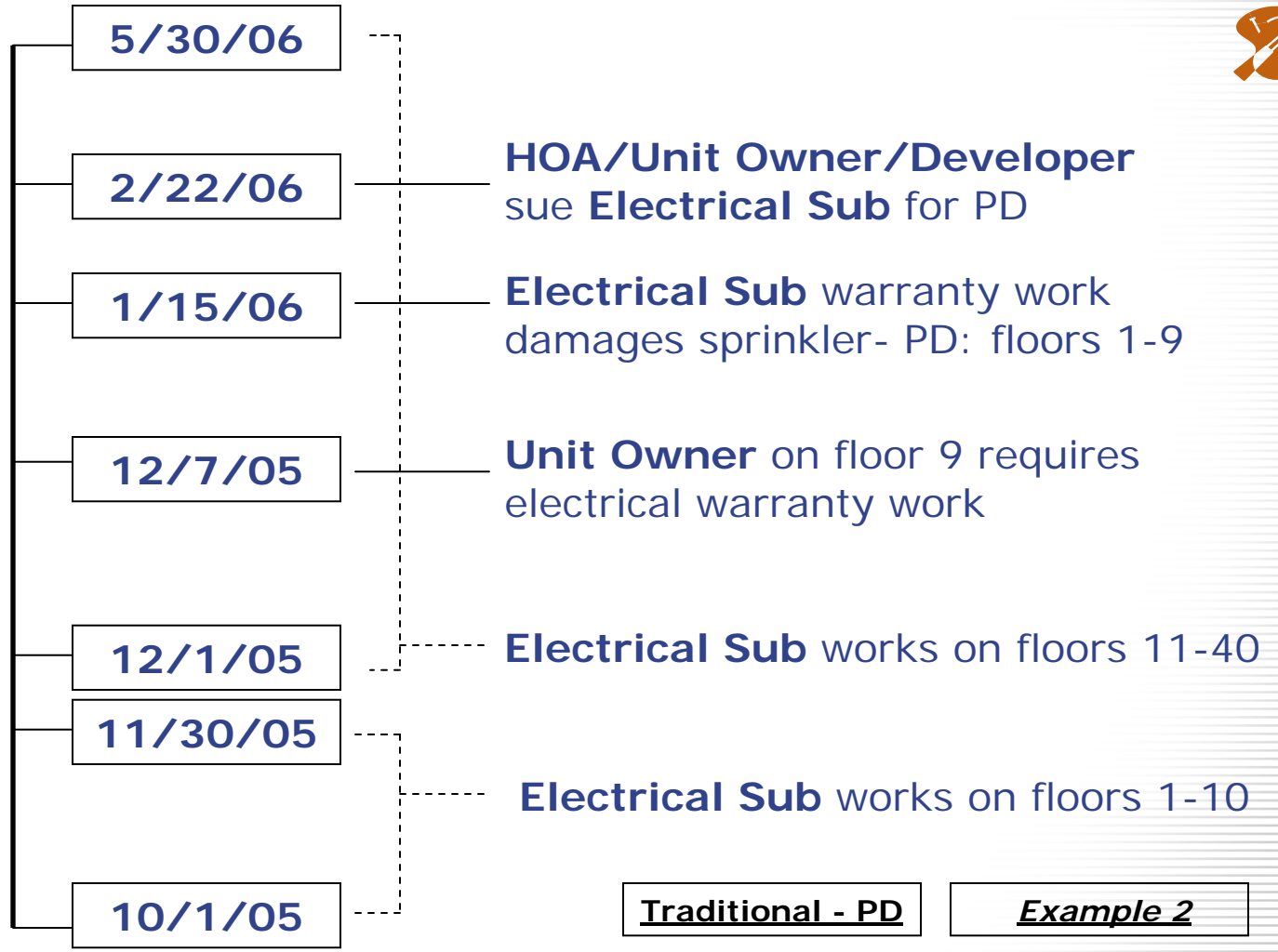
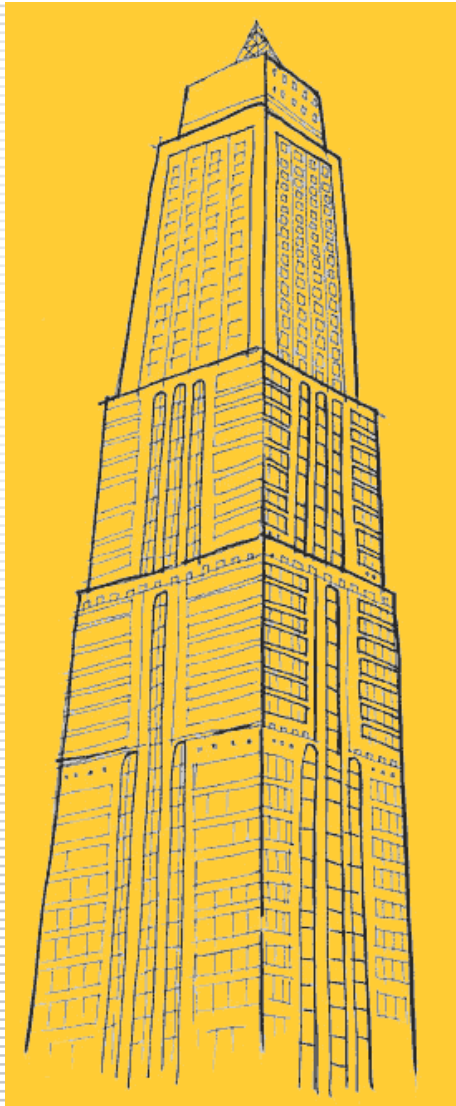


# Example 2 Damage from Warranty Work (OCIP)





# Example 2 Damage From Warranty Work



Traditional - PD

Example 2

Wrap-Up - PD

Wrap Coverage Endorsement



# Example 2 Damage from Warranty Work

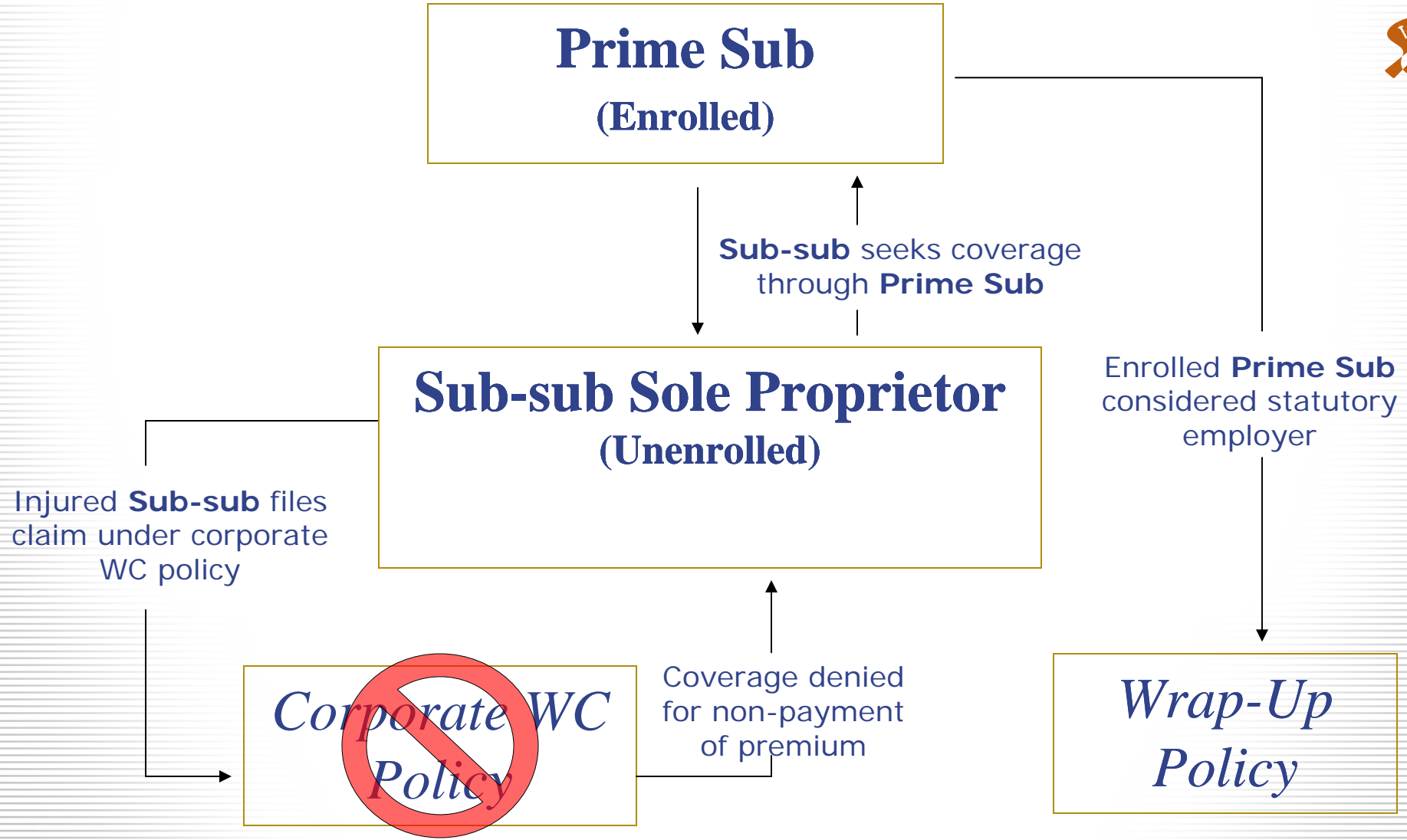
## ➤ Issues to Consider

- The structure of wrap-up policies vs. traditional policies can affect coverage

Completed Operations

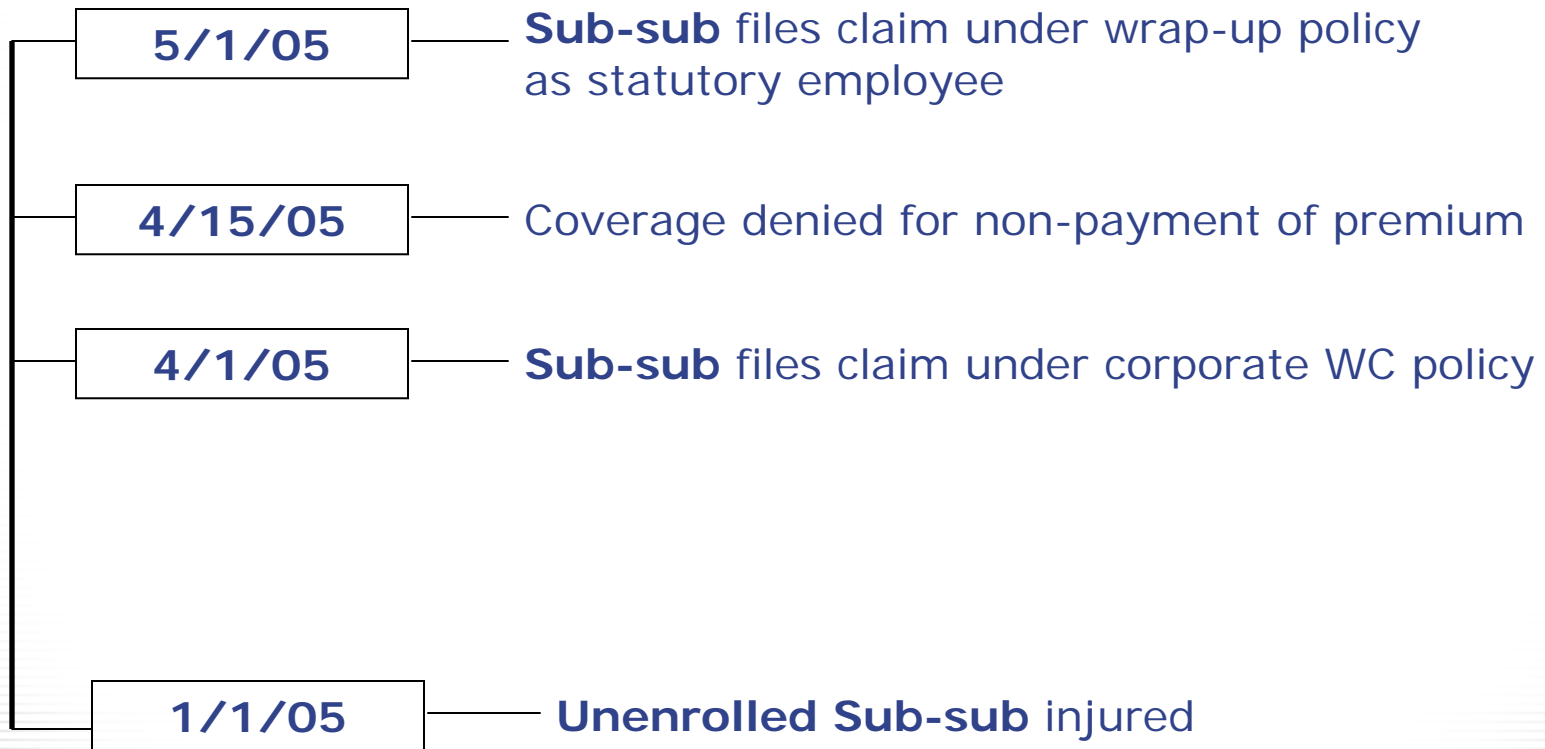


# Example 3 Unenrolled Statutory Employee





# Example 3 Unenrolled Statutory Employee



***Example 3***

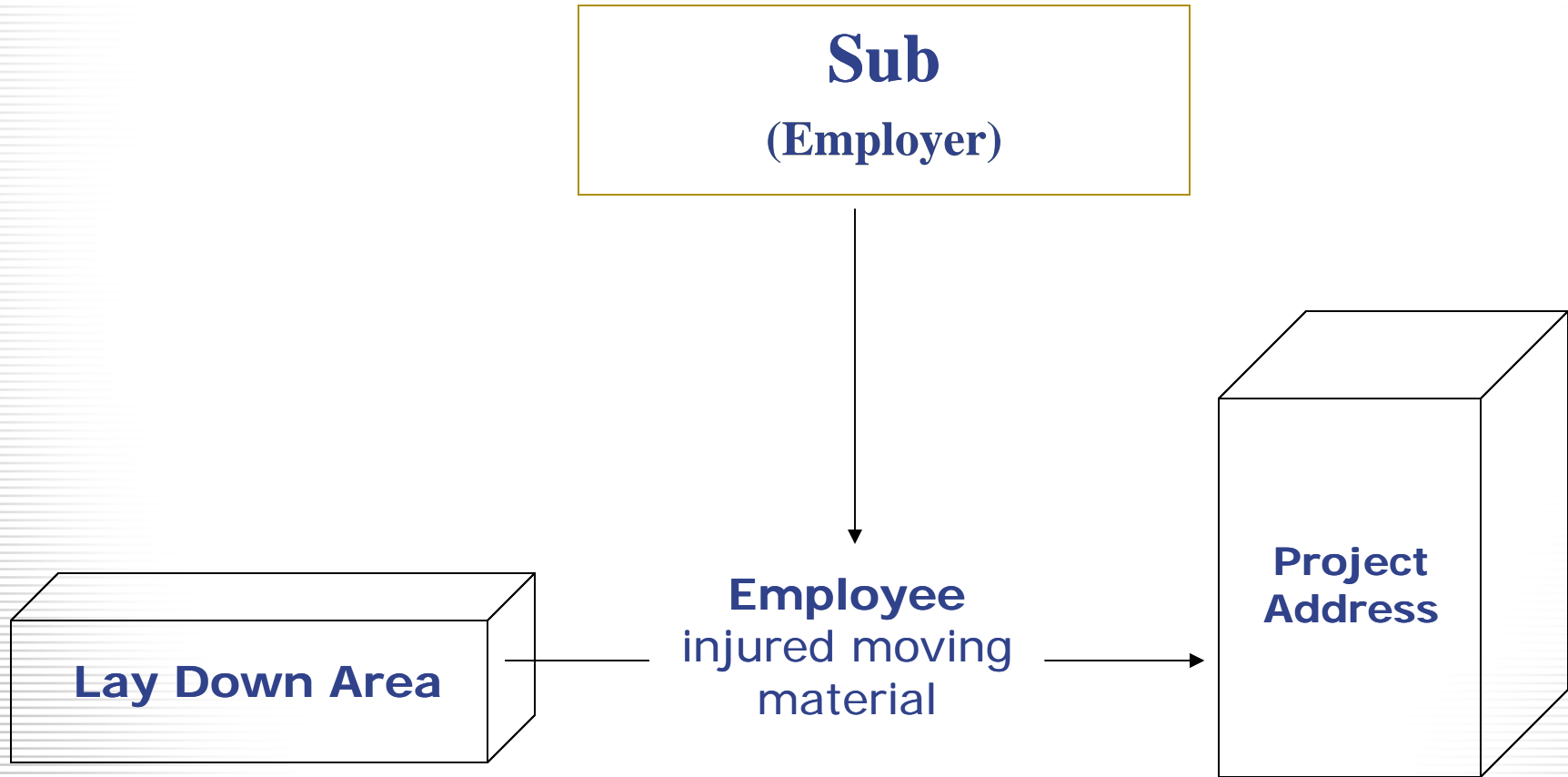


## ➤ Issues to Consider

- Monitoring coverage and certificates of insurance still necessary even when project has a wrap



# Example 4 Lay Down Area Incident



On-site/Off-site

Wrap-Up – BI



# Example 4 Laydown Area Incident

## ➤ Issues to Consider

- Definition of project site cannot be overlooked and must consider how the project will be executed



# Benefits of Wrap-Ups

- Reduced litigation
- Compliance with regulatory standards
- Control of insurance coverage handling
- Cost control
- Ability to employ small contractors



# Limitations of Wrap-Ups

- Project size
- Control of work
- Legal jurisdiction
- Ability to administer wrap-up features



# Check List for Wrap-Up Coverage

- Scope
- Project Location Description
  - Off-site Exposures
- Length of Coverage
  - Completed Operations
- Coordination of Corporate Program

# Questions



Example 1

Example 2

Example 3

Example 4

Traditional Insurance – BI

Wrap-Up Insurance – BI

Traditional Insurance – PD

Wrap-Up Insurance – PD

Wrap Coverage Endorsement

Wrap Coverage Endorsement –  
Named Insured

Wrap-Up Manual

Blanket AI Endorsement

Insured Contract

Contractual Indemnification