Enhancing Construction Risk Management Through GL-Only Wrap-Ups

BY TRACY ALAN SAXE,
CHRISTOPHER T. SMITH,
AND SCOTT JENSEN

VITRANC/E+ VIA GETTY IMAGES

PUBLISHED IN *THE BRIEF*, VOLUME 54, NUMBER 2, WINTER 2025. © 2025 BY THE AMERICAN BAR ASSOCIATION. REPRODUCED WITH PERMISSION. ALL RIGHTS RESERVED. THIS INFORMATION OR ANY PORTION THEREOF MAY NOT BE COPIED OR DISSEMINATED IN ANY FORM OR BY ANY MEANS OR STORED IN AN ELECTRONIC DATABASE OR RETRIEVAL SYSTEM WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AMERICAN BAR ASSOCIATION.

As the construction industry continues to grow and diversify, so does the complexity of managing project-specific risks. General liability–only wrap-ups (GL-only wrap-ups) offer a focused and efficient means to address these risks, providing stakeholders with a cost-effective and streamlined approach to insurance. These programs have become very popular over the last decade and potentially offer significant insurance savings and enhanced coverage. The key is understanding the types of projects this can help, the coverage that is afforded, and how claims are managed and streamlined.

Traditional and Wrap-Up Insurance Programs

Generally, in construction projects, the owner, general contractor, and subcontractors all carry their own commercial general liability (CGL) and workers' compensation policies covering the project and the insureds' other liabilities. This is a traditional insurance program.

On large construction projects, it can be advantageous for the parties to participate in a consolidated insurance program (CIP), also referred to as a "wrap-up." CIPs can be used for projects as diverse as civic infrastructure and large commercial ventures to residential high-rise and single-family home projects. The typical participants in CIPs are the property owner/developer, construction manager, general contractor, and subcontractors.[1]

The consolidated insurance coverage fosters economies of scale and enables the controlling entity to effectively manage project risks.[2]

Traditional CIPs, like contractor-controlled insurance programs (CCIPs) and owner-controlled insurance programs (OCIPs), endeavor for broad risk coverage. They generally involve the issuance of workers' compensation and liability insurance to the principal of the project, which provides coverage for all contractors, subcontractors, and their employees working on the construction project.[3] However, some wrap-ups offer limited or narrow coverage. For instance, GL-only wrap-ups provide only general liability insurance coverage for enrolled contractors. Under this type of coverage, each contractor is required to carry their own workers' compensation insurance. This approach results in reduced administrative costs and tailored risk management strategies. This insurance program is commonly utilized for small-scale and residential building projects that have brief construction timelines. Furthermore, this type of insurance program is effective in states that operate a monopolistic workers' compensation fund system, where state regulations forbid the purchase of private workers' compensation insurance.

CIPs offer numerous benefits, including:

- **Reduced litigation:** By providing a unified coverage solution, CIPs may significantly reduce cross-litigation among involved parties.
- **Streamlined claims process:** The CIP sponsor controls coverage terms and claims handling, mitigating many potential issues, discussed below.
- **Comprehensive coverage:** By offering a complete, cohesive coverage solution, CIPs substantially eliminate potential gaps in coverage that can occur with subcontractors using separate policies with varying exclusions.
- **Cost control:** CIPs allow for the pooling of risks and financial resources, potentially decreasing overall insurance costs.
- **Expanded pool of contractors:** With CIPs, smaller contractors may access otherwise unavailable insurance and project opportunities.

However, applying CIPs has limitations, which include:

- **Project size:** A CIP is economically viable only if the project is sizable, as the volume of contracted work must justify the program's administrative expenses.
- **Control of work:** The sponsoring entity must have the capacity to enforce loss control measures across the geographic, legal, and regulatory spectrums.
- **Legal jurisdiction:** CIPs must be permissible under the laws of the state where the project is being executed.

How Wrap-Up Insurance Works

The benefits of a GL-only wrap-up are best illustrated by an example showing how various losses are handled under a CIP versus a traditional insurance program. Suppose an owner hires a general contractor to build a residential condominium complex consisting of eight buildings with 48 units. The general contractor hires numerous subcontractors. During construction, a subcontractor's employee is negligently injured on the job. Thereafter, the building is completed, and the general contractor turns the project over to the owner, who sells the units to residents.

One year later, property damage is discovered. There is mold and moisture buildup in several units, windows leak, and the roof, which also leaks, has started to warp. The condominium association and the unit owners (residents) allege that the property damage is the result of faulty HVAC installation and operation, improper window installation, and failure of the general contractor to properly dry out the building before enclosure.

The manner of resolution of these disputes significantly differs under a traditional insurance program versus a wrap-up program.

Application of traditional insurance program. Under a traditional insurance program, the owner maintains a CGL policy. The general contractor, pursuant to its contract with the owner, is required to maintain its own CGL policy naming the owner as an additional insured (via endorsement) and includes completed operations coverage. The additional insured requirement in the contract reads:

> The owner and other entities as may be reasonably requested shall be named as additional insureds under these policies of insurance. It is expressly agreed and understood by and between the owner and the contractor that the insurance afforded the additional insureds shall be primary insurance and that any

PUBLISHED IN *THE BRIEF*, VOLUME 54, NUMBER 2, WINTER 2025. © 2025 BY THE AMERICAN BAR ASSOCIATION. REPRODUCED WITH PERMISSION. ALL RIGHTS RESERVED. THIS INFORMATION OR ANY PORTION THEREOF MAY NOT BE COPIED OR DISSEMINATED IN ANY FORM OR BY ANY MEANS OR STORED IN AN ELECTRONIC DATABASE OR RETRIEVAL SYSTEM WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AMERICAN BAR ASSOCIATION.

TIP: Wrap-ups typically eliminate the need for cross-claims for indemnity and additional insured claims because all parties are covered under the same policy.

> other insurance carried by the owner shall be excess of all other insurance carried by the contractor and shall not contribute with the contractor's insurance. The contractor further agrees to provide endorsements on its insurance policies, which shall state the foregoing.

The additional insured endorsement to the general contractor's policy reads:

> **SCHEDULE**
> Name of Person or Organization: Owner
> (If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)
>
> WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of "your work" for that insured by or for you.[4]

The owner–general contractor contract contains an indemnity clause, which reads:

> The subcontractor hereby assumes entire responsibility and liability for any and all damage or injury of any kind or nature whatever (including death resulting therefrom) to all persons, whether employees of any tier of the subcontractor or otherwise, and to all properties caused by, resulting by, arising out of, or occurring in connection with the execution of the work or in any preparation for the work or any extension, modification, or amendment to the work by change order or otherwise. . . . The subcontractor agrees to indemnify and save harmless the contractor and the owner, their officers, agents, servants, and employees from and against any and all such claims and further from and against any and all loss, costs, expense, liability, damage, penalties, fines, or injury, including legal fees and disbursements, that the general contractor and the owner, their officers, agents, servants, or employees may directly or indirectly sustain, suffer, or incur as a result thereof, and the subcontractor agrees to and does hereby assume on behalf of the owner and the general contractor, their officers, agents, servants and employees the defense of any action at law or in equity which may be brought against the general contractor and/or the owner, their officers, agents, servants, or employees upon or by reason of such claims and to pay on behalf the general contractor and the owner, their officers, agents, servants, and employees upon demand the amount of any judgment that may be entered against the general contractor and/or the owner, their officers, agents, servants, or employees in any such action.

Tracy Alan Saxe *is a founding member of Saxe Doernberger & Vita, P.C. He litigates insurance coverage matters involving construction defects, property damage and bodily injury claims related to mold and asbestos, and more. He may be reached at tsaxe@sdvlaw.com.* **Christopher T. Smith** *is the senior vice president of construction and wrap-ups at NFP, an Aon company. He may be reached at chris.t.smith@nfp.com.* **Scott Jensen** *is a casualty surplus lines broker at Amwins, specializing in construction, real estate, and manufacturing. He may be reached at scott.jensen@amwins.com.*

Subcontractors, pursuant to their contracts, are required to carry the same insurance coverage as the general contractor, naming the general contractor and the owner as additional insureds, and to carry completed operations coverage. The subcontractors' contracts also contain the same additional insured requirement, additional insured endorsement, and indemnity clause. Hence, under a traditional insurance program, bodily injury and property damage claims result in several levels of litigation.

Bodily injury. Litigation of construction bodily injury claims can involve workers' compensation, negligence, contractual indemnity, insurance coverage, additional insured issues, and counter- and cross-claims.

1. **Employee vs. subcontractor:** The subcontractor's injured employee files a claim for workers' compensation benefits. The employee cannot sue the subcontractor for negligence because the employee's exclusive remedy is workers' compensation.
2. **Employee vs. owner, general contractor, and subcontractors:** The employee files a suit against the owner and the general contractor for negligence (initial action). The employee may also sue other subcontractors who may be liable for the employee's injuries. This often results in cross-claims between the defendants.
3. **General contractor vs. subcontractor:** When the general contractor is sued in the initial action, it is entitled to indemnity from the subcontractor for any costs incurred in defending, and for judgment or settlement paid in the initial action, pursuant to their contract. Often, the general contractor must sue the subcontractor. The general contractor may file a separate action against the subcontractor, but a third-party claim is more common.
4. **Owner vs. general contractor:** When the initial action is filed, the general contractor must indemnify the owner for defense costs the owner incurs, pursuant to the contractual indemnity provision. The owner may have to sue the general contractor for indemnity.
5. **General contractor vs. general contractor's insurer; subcontractor vs. subcontractor's**

PUBLISHED IN *THE BRIEF*, VOLUME 54, NUMBER 2, WINTER 2025. © 2025 BY THE AMERICAN BAR ASSOCIATION. REPRODUCED WITH PERMISSION. ALL RIGHTS RESERVED. THIS INFORMATION OR ANY PORTION THEREOF MAY NOT BE COPIED OR DISSEMINATED IN ANY FORM OR BY ANY MEANS OR STORED IN AN ELECTRONIC DATABASE OR RETRIEVAL SYSTEM WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AMERICAN BAR ASSOCIATION.

insurer: Litigation scenarios (3) and (4) can result in coverage litigation between the general contractor and its insurer and/or between subcontractors and their insurers regarding coverage for contractual indemnity. The defense costs and damages incurred by the owner should be paid by the general contractor. Similarly, the defense costs and judgment or settlement values incurred by the general contractor should be paid by the subcontractors. These payments by the general contractor and the subcontractors become their respective indemnity claims with their insurers, pursuant to the insured contract coverage typically available in a CGL policy.

6. **Owner vs. general contractor; general contractor vs. subcontractors:** The owner is an additional insured on the general contractor's and the subcontractors' insurance policies. The owner and the general contractor are additional insureds on each subcontractor's policy. Therefore, the general contractor's insurance carrier must defend the owner, and each subcontractor must defend the general contractor and the owner in the initial action. Insurers often dispute whether the owner's and the general contractor's liability arises out of the subcontractor's work, which is required by the additional insured endorsement, resulting in litigation.

Post-construction property damage. Litigation in a construction defect property damage claim tends to be more complicated, as shown below:

1. **Association and residents vs. owner and general contractor:** The condominium association and residents file suit for defects (initial action). The owner and the general contractor tender claims to the general contractor's or subcontractors' insurers, which defend the suit and pay any damages.
2. **General contractor vs. subcontractors:** The initial action causes the general contractor to typically add all potentially liable subcontractors via third-party actions. The third-party claims inevitably result in cross-claims among the third-party defendants (the subcontractors).
3. **General contractor vs. subcontractors:** Each subcontractor, pursuant to its contract, is typically obligated to indemnify the general contractor for its defense costs in the initial action. The general contractor may end up suing the subcontractors for indemnity. The subcontractors now have indemnity claims against their insurance carriers.
4. **Owner vs. general contractor:** The general contractor is obligated to indemnify the owner for the owner's defense, pursuant to the contractual indemnity provision in their contract. The owner has a claim against the general contractor for this indemnity. The owner may pursue the indemnity claim via a separate lawsuit or as a cross-claim in the initial action, if the general contractor does not comply with its contract.
5. **General contractor vs. general contractor's insurer:** The general contractor now has a claim against its insurer to cover contractual indemnity based on the defense costs it paid for the owner.
6. **Owner vs. general contractor; general contractor vs. subcontractors:** The owner is an additional insured on the general contractor's and the subcontractors' insurance policies. The general contractor is named as an additional insured on each subcontractor's policy. Pursuant to the additional insured endorsements, the general contractor's insurer must defend and indemnify the owner, and each subcontractor's insurer must defend and indemnify the general contractor and the owner in the initial action.

The additional insured issues usually result in litigation between the various parties because the subcontractors' insurance carriers often deny coverage based on the additional insured endorsements. Frequent issues in this context include:

- Inability to identify carriers for completed operations claims
- Denials of coverage based on the language of the additional insured endorsement, including whether the additional insured liability "is caused in whole or in part by" the named insured's work
- The owner and/or the general contractor is not named as an additional insured, which is a breach of contract by the subcontractor, resulting in expanded litigation
- The subcontractor's policy is excess for additional insureds, based on the policy language or the endorsement
- Sufficiency of policy limits

The property damage claim should result in the subcontractors' insurers paying proportionately for the defense and indemnity of the subcontractors, general contractor, and owner in the initial action. Reaching this point, however, often requires significant litigation among the parties at great expense. Also note that the attorney fees incurred in seeking coverage for these underlying lawsuits are not insured, and the owner, the general contractor, and each subcontractor must pay these costs out of pocket.

Application of wrap-up program. Under a wrap-up insurance program, the sponsor (the owner or the general contractor) arranges all necessary insurance coverage for the project. This typically includes CGL and workers' compensation coverage and, depending on the project, other applicable coverages. Unlike traditional insurance programs, there is only one wrap-up insurer for the owner, the general contractor, and each subcontractor. The sponsor and single insurer control all administration and claims handling.

PUBLISHED IN *THE BRIEF*, VOLUME 54, NUMBER 2, WINTER 2025. © 2025 BY THE AMERICAN BAR ASSOCIATION. REPRODUCED WITH PERMISSION. ALL RIGHTS RESERVED. THIS INFORMATION OR ANY PORTION THEREOF MAY NOT BE COPIED OR DISSEMINATED IN ANY FORM OR BY ANY MEANS OR STORED IN AN ELECTRONIC DATABASE OR RETRIEVAL SYSTEM WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AMERICAN BAR ASSOCIATION.

Under a wrap-up program with proper coverage, most of the litigation identified above for bodily injury or property damage may be eliminated. The differences are itemized below.

Bodily injury.

1. **Employee vs. subcontractor:** The injured employee files a claim for workers' compensation.
2. **Employee vs. owner, general contractor, and subcontractors:** The employee files suit against the owner, the general contractor, and perhaps some subcontractors (who are not the employee's employers) for negligence.

Post-construction property damage. The association and residents file suit against the owner and the general contractor for the defects. In a wrap-up, this suit results in two claims being filed with one insurance carrier. There are no contractual indemnity or additional insured claims, multiple insurance carriers need not get involved, and the level of litigation and costs to each party are significantly reduced. Cross-claims and counterclaims are not necessary, and allocation of liability is not relevant because a single insurer covers all contractors on the project.

Comparing the outcomes. The wrap-up litigation described above highlights the possibility and benefits of a unified defense: the lack of need for (1) cross-claims for indemnity between the owner, general contractor, and subcontractors; and (2) additional insured claims by the owner and the general contractor against the subcontractors' insurers.

Wrap-Up Coverage Considerations

While wrap-ups present numerous benefits and help to reduce many of the risks associated with traditional insurance programs, it is imperative for owners and general contractors to remain vigilant regarding potential pitfalls. These pitfalls may include limitations in coverage territory, exclusions of certain entities, requirements for deductibles and self-insured retentions (SIRs), insufficient coverage limits, absence of completed operations coverage, the removal of crucial endorsements, and statutes or judicial precedents in various jurisdictions.[5]

Coverage territory—site description. The CGL policy for a CIP only applies to damages related to the project, usually containing an endorsement limiting coverage to the location of the project. Many CIPs use a standard endorsement drafted by the Insurance Services Office (ISO) that limits the coverage geographically. ISO is a private organization that drafts and sells standard insurance policies utilized by most insurance companies. Unfortunately, the standard ISO endorsements used for wrap-ups are very generally written, thus creating ambiguities regarding the geographic limitations on the insurance coverage.

A standard ISO CIP endorsement regarding project location provides:

LIMITATION OF COVERAGE TO DESIGNATED PREMISES OR PROJECT

This endorsement modifies insurance provided under the following: COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Premises: 35 Nutmeg Drive, Trumbull, CT
Project: ABC's Commercial Office Building Expansion Contract
(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

This insurance applies only to "bodily injury", "property damage", "personal and advertising injury" and medical expenses arising out of:
1. The ownership, maintenance or use of the premises shown in the Schedule and operations necessary or incidental to those premises; or
2. The project shown in the Schedule.[6]

Using only an address to define the premises can create problems when there are injuries or property damage to staging areas, adjacent lots, or other locations where off-site preparation work is being done. Moreover, negligence or property damage that begins off-site (e.g., an off-site fabricator damaging welded portions during preparation for transit to the project) can create conflict between the CIP insurer and the corporate insurer. Lawyers preparing the contracts for a project should consider either identifying any off-site or incidental areas to be listed on the ISO endorsements in addition to the project address or including coverage for incidental areas generally.

For the sponsor, coverage needs to be as broad as its potential liability. If coverage is limited to the project site, but by statute or common law the sponsor is liable for injury or damage at locations incidental to the project site, coverage should be extended to those locations. For example, the CIP sponsor may want to use the following endorsement:

MODIFIED LIMITATION OF COVERAGE TO DESIGNATED PREMISES OR PROJECT

SCHEDULE

Project Site: 35 Nutmeg Drive, Trumbull, CT and All "Incidental Areas"
Project: ABC's Commercial Office Building Expansion Contract

This insurance applies only to "bodily injury", "property damage", "personal and advertising injury" and medical expenses arising out of (work done):
1. Within the scope of the work outlined in the contract and change orders for the "Project"; AND
2. Either:

PUBLISHED IN *THE BRIEF,* VOLUME 54, NUMBER 2, WINTER 2025. © 2025 BY THE AMERICAN BAR ASSOCIATION. REPRODUCED WITH PERMISSION. ALL RIGHTS RESERVED. THIS INFORMATION OR ANY PORTION THEREOF MAY NOT BE COPIED OR DISSEMINATED IN ANY FORM OR BY ANY MEANS OR STORED IN AN ELECTRONIC DATABASE OR RETRIEVAL SYSTEM WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AMERICAN BAR ASSOCIATION.

> a) Performed by the First Named Insured or a contractor directly or indirectly on behalf of the First Named Insured at a "Project Site"; or
> b) Performed by the First Named Insured or by a contractor directly or indirectly on behalf of the First Named Insured at a location other than the "Project Site" if such operations are a direct proximate cause of injury occurring at the "Project Site"; or
> c) Arising out of the acts or omissions of the Owner in connection with its supervision of operations performed by the First Named Insured and/or an Additional Named Insured at the "Project Site".
>
> "Incidental Areas" is defined to include: any staging lay down, storage, office and parking areas that are under the control of the First Named Insured and whose use is related to work performed at the "Project Site".[7]

No matter how the project site is defined in the CIP, the owner's and contractor's attorneys and risk managers should be aware of off-site work related to the project and endeavor to deal with the potential insurance and indemnity issues arising from off-site work.

Who is an insured. As discussed above, CIPs are advantageous because the contractors and the owner are all insureds under a single CGL policy. The sponsor of the CIP is usually the first named insured shown on the declarations page of the CGL policy. The contractors are usually additional named insureds.

A typical OCIP named insured endorsement may provide:

> Policy Declarations, "Named Insured" is amended to include as Named Insureds:
> All contractors and/or subcontractors/consultants and/or subconsultants for whom the owner or owner's agent are responsible to arrange insurance to the extent of their respective rights and interests. Coverage afforded by this policy is automatically extended to contractors, who are issued a Workers' Compensation policy under this Owner Controlled Insurance Program (OCIP). All other contractors not issued a Workers' Compensation policy must be endorsed onto the policy to be afforded coverage under this policy. "Named Insured" does not include vendors, installers, truck persons, delivery persons, concrete/asphalt haulers, and/or contractors who do not have on-site dedicated payroll.

If the general contractor is the sponsor, the owner is typically an additional insured per the standard broad form additional insured endorsement. That endorsement makes any party an additional insured if a named insured has promised to provide insurance in a written agreement. It is best not to list the owner as a named insured under a CCIP because named insureds can provide additional insured status to third parties. The owner may have promised its landlord, or other contractors on unrelated projects, insurance. The CCIP, however, should only cover the project work as defined in the project contract with the general contractor/CCIP sponsor.

For example, as shown in the above sample endorsement, many policies provide that "'Named Insured' does not include vendors, installers, truck persons, delivery persons, concrete/asphalt haulers, and/or contractors who do not have on-site dedicated payroll." Insurers and sponsor risk managers may want to consider excluding other parties from the CIP to preclude coverage for parties whose work and safety are not controlled by the CIP sponsor.

Deductibles and SIRs. Almost all wrap-ups have a deductible or SIR. Typically, the sponsor will pay the SIR; however, the wrap documents may provide otherwise. The sponsor generally pays the SIR because the sponsor has the most control over the implementation of the program and the safety and quality control standards on the project (especially if the sponsor is the general contractor). A common question is how much the SIR should be. The amount can be substantial (e.g., $250,000–$500,000). There is no set formula, but the party paying should feel comfortable accepting that amount of risk. The higher the SIR, the less the premium, but the responsibility for administering and paying claims is higher. From the sponsor's perspective, the defense fees should preferably contribute to the exhaustion of the policy. Educating clients about what is included in the SIR is especially important. SIR options and pricing issues should be discussed with a sophisticated insurance consultant or broker experienced in wrap-ups and construction insurance coverage. Parties should understand that the SIR usually includes damages for bodily injury or property damage and defense costs. Understanding the role the SIR plays in claims will likely change whether and how claims are managed by the CIP participants. For example, an owner under an OCIP may be surprised, if not properly advised at the time the policy is bound, to find that if the owner sues its contractor for covered property damage, the owner may have to pay that contractor's attorney fees to defend the owner's suit under its self-insured responsibilities until the SIR is exhausted.

Adequacy of limits. Parties usually must decide several issues regarding limits of coverage under the CIP, including the per occurrence limit, the aggregate limit, and the limit for completed operations. There is no precise formula for setting the limits of insurance under a CIP. Rather, sponsors should seek advice from sophisticated and experienced wrap-up consultants or brokers. In addition to the amount of limits, several other issues should be considered.

Defense outside limits. The insurance limits should not be exhausted or reduced by payment of defense costs. Simply, parties should acquire unlimited defense obligations and avoid "eroding limits" or "cannibalizing" policies.

Dedicated limits. Parties should ensure that the aggregate limits are dedicated solely to that project. Unfortunately, in some residential CIPs, developers may have the aggregate limits of insurance shared between multiple projects. Parties

PUBLISHED IN *THE BRIEF*, VOLUME 54, NUMBER 2, WINTER 2025. © 2025 BY THE AMERICAN BAR ASSOCIATION. REPRODUCED WITH PERMISSION. ALL RIGHTS RESERVED. THIS INFORMATION OR ANY PORTION THEREOF MAY NOT BE COPIED OR DISSEMINATED IN ANY FORM OR BY ANY MEANS OR STORED IN AN ELECTRONIC DATABASE OR RETRIEVAL SYSTEM WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AMERICAN BAR ASSOCIATION.

should always inquire and ensure that the limits only apply to their project and are not reduced by other projects. This is particularly concerning if the owner provides a rolling wrap-up that applies to multiple projects.

Excess wrap-up exclusions. Parties should endeavor for "excess wrap" provisions instead of "wrap exclusion" provisions in their own corporate program (the regular insurance covering the general operations of a contractor or owner that would apply had a CIP not been provided). An excess wrap provision provides that the contractor's or owner's policy will apply excess to any wrap-up policies that may cover a project. For example: "The limits of insurance shown in the declarations will apply excess to any valid and collectible insurance provided under a wrap-up or any other consolidated insurance program specific to a project where the named insured is performing operations."

A wrap exclusion endorsement may provide: "This insurance does not apply to ongoing operations or operations included in the 'products-completed operations hazard' . . . as a consolidated insurance program has been provided." Another example of a wrap exclusion might read: "This insurance does not apply to any wrap-up that you are or ever were involved in."

Wrap excess provisions are especially important for corporate programs if any participant is concerned that the limits of insurance under the CIP may be insufficient.

Annualized limits. Limits of insurance should apply annually. Traditional insurance policy limits renew yearly. Under a CIP, the limits can apply for the entire duration of the project, which may be more than one year. Greater limits are necessary if they do not renew annually. If the limits of insurance do not renew yearly, then losses early in the project could cause the limits of insurance to be inadequate for the remainder of construction.

Completed operations coverage. The term "completed operations" is shorthand for the coverage provided by CGL policies for damage and injury that takes place after project completion. The coverage under CGL policies for construction claims can be broken down into (1) ongoing operations coverage for damage and injury during construction, and (2) completed operations coverage for damage and injury occurring after project completion. The policy refers to completed operations coverage as the "products-completed operations hazard." This more general term is used in the policy because CGL forms are used to cover business risks of many different types of policyholders, not just construction companies. Thus, the products-completed operations hazard coverage includes coverage for any liability an insured may have after its product issues (for manufacturers or craftsmen) or operations are complete (for builders).

In fact, the standard CGL policy historically excluded coverage for any damage caused by products after they were sold or after services were complete. Policyholders, understandably, demanded an insurance product that included this coverage. Insurers responded by selling this coverage by special endorsement to the policy, which eliminated the exclusion. Eventually, the endorsement became part of the typical policy. In 1986, the ISO CGL policy standardized the inclusion of the products-completed operations coverage.

Typically, the declarations page simply provides a section where completed operations coverage may be selected by checking a box or by filling in a limit of insurance. There is not a separate grant of coverage. The definition of completed operations is critical to identifying whether a claim is an ongoing operations claim versus a completed operations claim. The standard CGL policy states:

> "Products-completed operations hazard":
> a. Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:
> (1) Products that are still in your physical possession; or
> (2) Work that has not yet been completed or abandoned.
> However, "your work" will be deemed completed at the earliest of the following times:
> (a) When all of the work called for in your contract has been completed.
> (b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.
> (c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.
> Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.
> b. Does not include "bodily injury" or "property damage" arising out of:
> (1) The transportation of property unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;
> (2) The existence of tools, uninstalled equipment or abandoned or unused materials; or
> (3) Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products-completed operations are subject to the General Aggregate Limit.[8]

Determining whether it is an ongoing operations claim or a completed operations claim dictates which set of limits is used to pay the claim. If the ongoing operations limits are reduced by the payment of claims, this determination will be critical. The applicability of certain exclusions depends on whether the bodily injury or property damage took place during ongoing operations or during the completed operations period.

The length of completed operations coverage for a project is significant. In traditional insurance programs, each contractor would have its own insurance program renewed yearly, and that program would cover any property damage or bodily injury taking place during the policy period arising out of past

PUBLISHED IN THE BRIEF, VOLUME 54, NUMBER 2, WINTER 2025. © 2025 BY THE AMERICAN BAR ASSOCIATION. REPRODUCED WITH PERMISSION. ALL RIGHTS RESERVED. THIS INFORMATION OR ANY PORTION THEREOF MAY NOT BE COPIED OR DISSEMINATED IN ANY FORM OR BY ANY MEANS OR STORED IN AN ELECTRONIC DATABASE OR RETRIEVAL SYSTEM WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AMERICAN BAR ASSOCIATION.

projects. In contrast, various factors must be evaluated to determine the suitable duration for extending completed operations coverage under a CIP. The most important consideration is the applicable statute of repose. Many states have statutes of repose specific to construction claims.

The endorsement extending the completed operations coverage usually provides:

ENDORSEMENT
Completed Operations Extension

SCHEDULE
ABC's Commercial Office Building Expansion Contract

Completed Operations coverage is extended for the project described in the above Schedule for a period of 6 years (Extended Completed Operations Period). The Extended Completed Operations Period will commence when that portion of the project is put to its intended use, or a temporary or permanent certificate of occupancy is issued. Failure to protect or maintain completed portions of the project by the owner or the contractor will invalidate coverage. The Extended Completed Operations limit of insurance is $5,000,000 per project and in the aggregate for the term of the project including the Extended Completed Operations Period.

All other terms and conditions remain unchanged.[9]

Attorneys should be aware that completed operations limits are rarely annualized. Accordingly, a higher limit of insurance is necessary in the aggregate for completed operations coverage.

Elimination of exclusions J, K, and L with LEG 3 endorsement. The effectiveness of GL-only wrap-ups is significantly enhanced when paired with a builder's risk policy that includes the London Engineering Group (LEG) 3 endorsement. This endorsement is crucial in managing the course of construction risks and is often a point of contention that general contractors must navigate.

The LEG 3 endorsement, while varying language among carriers, is crafted to narrow the defective work exclusions. Specifically, it expands coverage to include the costs of rectifying defective workmanship, design, plan, or specification, but not the additional costs incurred to improve upon the original work.

The integration of LEG 3 into a builder's risk policy can facilitate removing the course of construction exclusion from a GL-only wrap-up. The aim is to exclude coverage otherwise provided under a builder's risk policy to avoid overlap between the two policies. Without LEG 3, the exclusion could be broadly written and potentially exclude other third-party property not covered under a builder's risk policy. Many markets are willing to remove this exclusion from a wrap if the builder's risk policy contains LEG 3 coverage.

In a GL-only wrap-up, it is ideal to eliminate the standard ISO CGL form exclusions, commonly referred to as exclusions J (damage to property), K (damage to your product), and L (damage to your work). These business risk exclusions are intended to apply to the named insured, which in a wrap-up scenario includes the owner, the contractor, and all enrolled subcontractors. The CGL exclusions precluding coverage for damage arising out of the insured's property, defective products, and defective work should ideally be removed to ensure that coverage applies as expected in construction and development operations.

The Case for GL-Only Wrap-Ups

The consolidation of insurance programs, specifically through wrap-ups or CIPs, has become an innovative strategy in the construction industry for managing risk associated with large-scale projects.

GL-only wrap-ups are a type of CIP that solely addresses general liability, excluding other lines of insurance typically consolidated in traditional CIPs. These specialized wrap-ups offer unique advantages such as less administrative burden, no requirement for collateral, lower deductibles and SIRs, and greater flexibility in coverage terms, particularly when dealing with manuscript forms and endorsements. For these reasons, GL-only wrap-ups are commonly utilized for small-scale and residential building projects that have brief construction timelines.

GL-only wrap-ups have risen in prominence as a practical solution for various construction projects. Their flexibility and focus on general liability make them suitable for a range of project types—from residential to industrial, public works, and beyond. With careful planning and execution, these instruments can significantly enhance the efficiency of risk management in construction projects. ◀

Notes

1. Zeitoun v. Orleans Par. Sch. Bd., 33 So. 3d 361 (La. Ct. App. 2010).
2. Bacon v. DBI/SALA, 822 N.W.2d 14, 32 (Neb. 2012).
3. Liberty Mut. Ins. Co. v. La. Ins. Rating Comm'n, 696 So. 2d 1021, 1023 (La. Ct. App. 1997) (citing Bulletin LIRC 95-03 (June 21, 1995)).
4. *See, e.g.*, Ins. Servs. Off., Inc. (ISO), CG 20 26 11 85, Additional Insured—Designated Person or Organization (1984).
5. *See, e.g.*, N.Y. Ins. Law § 2504.
6. Ins. Servs. Off., Inc. (ISO), CG 21 44 07 98, Limitation of Coverage to Designated Premises or Project (1997).
7. Saxe Doernberger & Vita, P.C., Modified Limitation of Coverage to Designated Premises or Project (2008).
8. Ins. Servs. Off., Inc. (ISO), CG 00 01 07 98, Commercial General Liability Coverage Form § V.16 (1997).
9. This is an example of an expansion contract in Connecticut where the statute of repose is seven years. For an updated 50-state survey on the statutes of limitation and repose for construction-related claims, visit https://www.sdvlaw.com/surveys/statutes-of-limitations-and-repose-for-construction-related-claims/.

PUBLISHED IN *THE BRIEF*, VOLUME 54, NUMBER 2, WINTER 2025. © 2025 BY THE AMERICAN BAR ASSOCIATION. REPRODUCED WITH PERMISSION. ALL RIGHTS RESERVED. THIS INFORMATION OR ANY PORTION THEREOF MAY NOT BE COPIED OR DISSEMINATED IN ANY FORM OR BY ANY MEANS OR STORED IN AN ELECTRONIC DATABASE OR RETRIEVAL SYSTEM WITHOUT THE EXPRESS WRITTEN CONSENT OF THE AMERICAN BAR ASSOCIATION.