



MFC NEWS

“Building Understanding”

MFC will find out the truth about buildings and answer the hard questions.

Spring 2013

Volume 8 Issue 2

What’s New at MFC...

MFC turned 23 on April 1, 2013. Thank you to our clients who make our success possible and enjoyable.

Micah Rodler and Myles Corcoran attended the local Architects Association’s Mixer 5/2/13 at the Museum of Art & History in Santa Cruz.

~

Daniel Alcocer and Myles Corcoran attended the Association of Defense Counsel’s (ADCNCN) April construction seminar on Wrap-Up Policies.



What’s Wrong in this Photo?



Jasmine growing out of a cased window gives new meaning to the word houseplant.

Quote of the Day

Architecture is a visual art, and the buildings speak for themselves.

~Julia Morgan

Wisdom Corner

Wrap-Up Insurance Policies:
Who Needs Them?
By Myles Corcoran

Are you getting ready to do some part of a large construction project? If you are, you may be asked to be brought into a Wrap-Up Insurance Policy. If so, you may be asked to lower your proposal by your usual insurance cost allowance - because your insurance will not be required.

Commonly referred to as a “Wrap-Up” policy, these policies go by a variety of other names such as Owner Controlled Insurance Program (OCIP), Contractor Controlled Insurance Program (CCIP), and “Rolling” Controlled Insurance Program (ROCIP). This article is meant as a minimal primer. We suggest that you talk to legal counsel and your insurance broker.

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MFC Tip

**Pacific Coast Builders
Association Conference 2013
Homebuilding Tradeshow
June 5-6, 2013
San Diego Convention Center
San Diego, CA
www.pcbc.com**

It is the largest regional builders' show in the nation and features an extensive display of product innovations from more than 650 of the industry's leading manufacturers and suppliers. Speakers, seminars, and workshops will cover a multitude of fields including business strategies, marketing, product design, and applied technology.

(Wrap-Up Policy Cont. from page 1)

The bottom line for the builder community is: If a Wrap-Up policy is in force on the project you are bidding on, you can reduce your bid by the cost of your liability insurance - if you are enrolled on the policy. Read the agreement carefully. Get a copy of the Wrap-Up Policy and show it to your insurance person.

History: Although these policies have only come to our office's attention in the last 12 years, they have been used for very large projects worldwide for over 50 years and for 20 years in the USA.

In short, these policies are project specific.

They principally cover the commercial liability of all those who are enrolled which are, typically, all participants in the construction: General Contractors and Sub Contractors. They can also include Workers Compensation (residential projects) and "Umbrella/Excess Liability" in some cases.

Additionally some of these policies also cover Professional Errors and Omissions, Builders Risk and Environmental Liability; however, you must ask to be sure. Suppliers are not typically covered - but can be. You must look into what is covered because there are no standard policy forms.

There are [Statutory Disclosures](#), but you must check that they have been made and that they cover you.

Benefits: What is hoped for is that there will be more control over coverage issues, there will be only one team working on behalf of all insured, there will be savings where contractors do not have to maintain General Liability (GL), claims will be more manageable, economy of scale (your portion of the cost should be less than stand alone GL would be), and duplication of coverage will be eliminated.

In addition, these policies claim to minimize litigation costs and help get resolution faster given the lack of finger pointing that goes on when everyone has different carriers.

Pitfalls/Problems: We have done expert work where a Wrap-Up policy has been in place.

From our vantage point, not all of the claimed benefits were realized. Due to the general lack of expertise in these policies, contractors tend to maintain their GL policy unchanged - no savings taken. When a lawsuit occurs, all parties still work with their own adjuster and lawyer, and the actual dispute parts do not seem any different than we see where no Wrap-Up exists.

Most Wrap-Up policies require special inspections. This, on the surface, is a good thing. Do not, as a builder, rely on these inspectors to catch the fine details - they won't. They are typically working under a minimal budget.

In the end, Wrap-Up policies are a good thing if properly administered. Both builders and owners **MUST** make sure that the policy covers what they think it does. These policies have rules about enrollment that must be followed - it is possible to have people working on the site who are not insured at all if they dropped their GL and were not properly enrolled.

About MFC News

MFC News is the e-zine published quarterly by the Editorial team at: Myles F. Corcoran Construction Consulting, Inc. (MFC) located in Santa Cruz, California. It is circulated to our colleagues in the construction and construction-related fields. Visit our website www.mfcbuild.com for more information and testimonials.

Please help us make this a "Construction Community" endeavor by sending us your feedback, comments, wisdom, and ideas for future issues. Call 831-476-4502 or email us at: mfcnews@mfcbuild.com

