



WHAT TO EXPECT FROM A WRAP-UP SERVICE PROVIDER

Presented by

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Principal
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Most wrap-up sponsors enter into the project with an expectation of improved loss experience and a better overall financial result. However, without up-front advice for designing the program, and without quality service before, during, and after construction from the wrap-up insurer and broker, the sponsor's ability to achieve its stated objectives is limited. This session will identify key wrap-up service needs from the feasibility stage all the way through program close-out. Strategies for providing incentives for good service will also be provided. Whether you are a buyer (contractor, owner) or seller (insurer, broker, consultant) of insurer services, this session will help you craft an appropriate scope of services, communicate expectations, and determine a fair price for such services.

Wednesday, November 15, 1:30–3:00 and 3:30–5:00 p.m.



May we wrap that for you?

At ACE USA, our approach to wrap-ups is simple: every program is customized. Our National Wrap-Up Center, with dedicated resources in underwriting, claims management and risk control services, will design a program that makes sense — just for you. And with us doing what we do best, you're bound to look better yourself.

Take away the risk and you can do anything.

For further information, please email our National Wrap-Up Center Manager at: Barbara.Matthews@ace-ina.com.

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ACE USA provides two types of risk control services. Insurance related services are an adjunct to underwriting and support that function through risk assessment and improvement. Consultative services are sold directly to our clients for a fee. Neither is intended as a substitute for legal counsel, or to supplant any duty to provide a safe premises, operation, product or workplace.

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Mr. Kaddatz is presenter for Workshop H, “What To Expect from a Wrap-Up Service Provider,” on Wednesday. He is a founding principal and managing director of ARM Tech, located in Lake Forest, California. ARM Tech is a risk management, actuarial, and insurance consulting firm. Mr. Kaddatz has more than 28 years’ experience in the insurance and risk management industry, the last 23 as a consultant. He also has experience in commercial lines underwriting and risk management for a major utility, whose wrap-up program he managed. As a consultant, Mr. Kaddatz regularly assists contractor and owner clients on wrap-up issues, including the drafting of custom contract verbiage, broker/administrator selection, and performance audits. A graduate of the University of Wisconsin—Stevens Point, he has served as governing chair of the Society of CPCU’s Risk Management Section and as president of the Society of Risk Management Consultants. Mr. Kaddatz is a frequent speaker at the Construction Risk Conference and other insurance and risk management seminars. He has written numerous articles on risk management, and has edited and contributed to several risk and insurance textbooks and reference manuals, including *Contractual Risk Transfer*, published by IRMI, and ARM Tech’s *Practical Risk Management*.

Notes

This file is set up for duplexed printing. Therefore, there are pages that are intentionally left blank. If you print this file, we suggest that you set your printer to duplex.

WHAT TO EXPECT FROM A WRAP-UP SERVICE PROVIDER

*Michael M. Kaddatz, CPCU, ARM
ARM Tech*

I. Evaluation and Planning Phase

II. Partner Selection

- A. Consultant
- B. Administrator
- C. Broker
- D. All-in-one

III. Selling the Concept to Management

IV. Implementation

- A. Developing the program design
 - 1. One project/multi-project
 - 2. Exposures to include
 - a. Liability
 - b. Workers compensation
 - c. Builders risk
 - d. Environmental
 - e. Design E&O
 - f. Force majeure
 - 3. Limits
 - 4. Other coverage terms

- B. Specification insurance language & forms
- C. Contractor communication plan
- D. Contractor selection criteria/bid deduct analysis

V. Operations

- A. Contractor enrollment
- B. Safety program
- C. Claims program
- D. Payroll audit
- E. Change orders
- F. Service provider performance monitoring
 - 1. Internal management/audits
 - 2. External audits
- G. Reporting results
- H. Community relations
- I. Service provider compensation
 - 1. Fixed fee
 - 2. T&E
 - 3. Commission
 - 4. Gain share

WHAT TO EXPECT FROM A WRAP-UP SERVICE PROVIDER

LIST OF EXHIBITS

1. Overview
2. Wrap-Up Schedule
3. Goals
4. Stakeholders
5. Initial Partners
6. Considerations
7. Key Feasibility Issues
8. Reliability Measures
9. Key Implementation Steps
10. Design Refinements
11. Wrap-Up services and Responsible Parties
12. Other Implementation Issues
13. Routine Program Delivery
14. Program Delivery Issues/Management
15. Performance Audits
16. Close Out
17. Broker/Administration Compensation
18. Evaluation Criteria

OVERVIEW

Stage	Timing
Feasibility/Design	Prior to wrap-up decision
Implementation/ Design Refinement	From decision to ground breaking
Delivery	Period of construction
Close Out	After construction, until the last loss is closed

Exhibit 1

WRAP-UP SCHEDULE

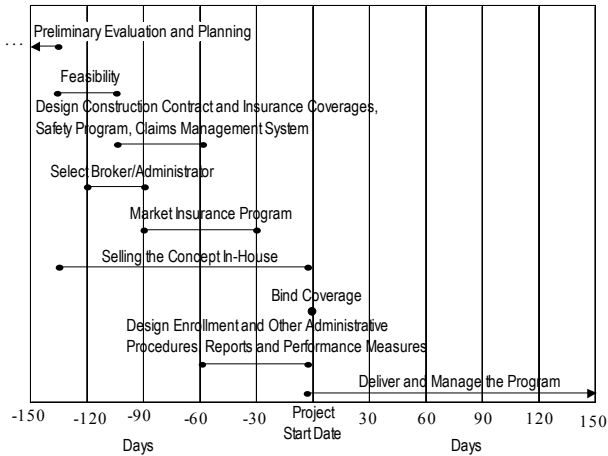


Exhibit 2

GOALS

- Broaden coverage
- Assure coverage
- Expand number of eligible contractors
- Reduce potential for project-delaying events
- Save money

Exhibit 3

STAKEHOLDERS

- Project managers
- Purchasing personnel
- Legal counsel
- Risk Manager
- Senior management
- Governing body
- Contractors
- Brokers/administrators

Exhibit 4

INITIAL PARTNERS

- Consultant
- Administrator (Wrap-Up Manager)
- Broker
- Combination

Exhibit 5

CONSIDERATIONS

- Time available
- Stakeholder motivations
- Politics
 - Protocol
 - Resistance level
- Need for objectivity
- Accountability
- Length and number of projects
- Costs

Exhibit 6

KEY FEASIBILITY ISSUES

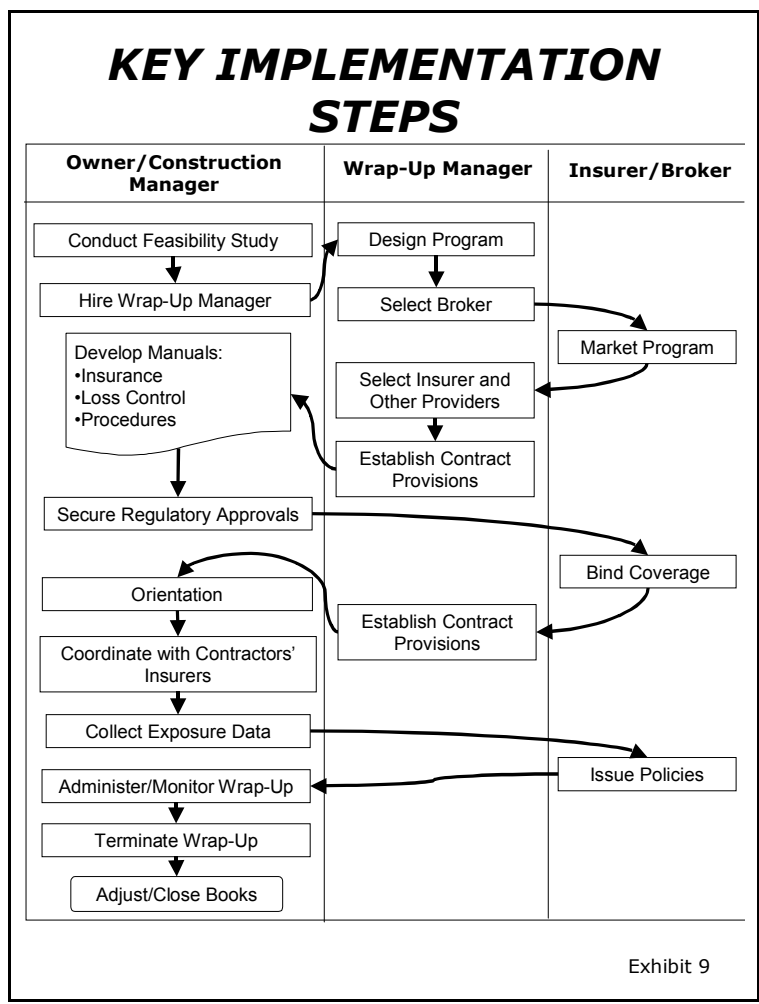
- One project/multi-project
- Construction costs/labor costs
- Duration
- Goals
- Costs/risks
- Barriers

Exhibit 7

RELIABILITY MEASURES

- How solid are the underlying cost measures (i.e., payroll)?
- What is the source, completeness and backup for wrap-up program premiums and other cost assumptions?
- Are failure scenarios considered?
- How applicable are the comparables?

Exhibit 8



DESIGN REFINEMENTS

- Exposures to include:
 - Workers compensation
 - Liability
 - Builders risk
 - Environmental
 - Design errors & omissions
 - Force majeure
 - Cost overrun/delayed completion
 - Other
- Limits
- Special coverage terms
- Guaranteed cost vs. loss responsive
- Claims administration/loss control:
 - Insurer
 - Broker
 - Third party

Exhibit 10

WRAP-UP SERVICES AND RESPONSIBLE PARTIES

Service	Responsible Party
Broker selection	Project manager, wrap-up manager
Insurance placement/ administration	Wrap-up manager, broker
Loss control program/ personnel	Project manager, insurer, broker
Medical/emergency response	Project manager, wrap-up manager
Contractor wrap-up orientation	Wrap-up manager
Project security/ disaster recovery plan	Project manager
Wrap-up bid evaluation	Wrap-up manager, broker
Wrap-up manuals (insurance, procedures, safety)	Wrap-up manager, broker
Compliance (OSHA)	Project manager, insurer, broker
Compliance (insurance)	Wrap-up manager, broker
Claims management	Wrap-up manager, insurer
Payroll audits	Wrap-up manager, insurer, broker
Plan closeout	Wrap-up manager, broker, insurer

Exhibit 11

OTHER IMPLEMENTATION ISSUES

- Contractor selection criteria
- Bid deduct analysis
- Contractor communication plan

Exhibit 12

ROUTINE PROGRAM DELIVERY

- OCIP manual
- Orientation/enrollment
- Claims procedures
- Loss control services
- Construction bid reviews for insurance deducts
- Peripheral insurance monitoring (certificates)
- Change order management
- Payroll reports/audits
- Workers compensation bureau filings
- Incentive plan administration

Exhibit 13

PROGRAM DELIVERY ISSUES/ MANAGEMENT

- Community relations
- Program performance monitoring:
 - Savings
 - Incident rates
 - Enrollment timing
 - Report timing
 - Critical event tracking
 - Service quality
 - Insurer stability
- Are the targets clear?
- Are the measures pertinent?
- Are the reports accurate?
- Are the reports timely?

Exhibit 14

PERFORMANCE AUDITS

- Within 12 - 18 months of start-up
- Considerations:
 - Original service plan
 - Signs of trouble
 - Results of program
- Internal vs. external auditor

Exhibit 15

CLOSE OUT

- Resolve outstanding claims
- Finalize outstanding issues
- Obtain final contractor payroll audits
- Audit and adjust based on final payrolls
- Obtain insurer's final audit
- Obtain dividend or retrospective (loss sensitive) calculations and payments
- Calculate any incentive returns to contractors

Exhibit 16

BROKER/ ADMINISTRATOR COMPENSATION

- Fixed fee (e.g., \$300,000 per year)
- Hourly (e.g., \$120/hour)
- Percentage (0.25% of construction costs)
- Performance based

Exhibit 17

EVALUATION CRITERIA

- Reports:
 - Timeliness
 - Format (length and organization)
 - Quality of information
- Costs:
 - Actual vs. estimated
 - Wrap-up vs. contractor-provides
 - Wrap-up vs. comparable wrap-ups
- Safety:
 - Claims frequency
 - OSHA violation frequency
- Client, contractor, community relations:
 - Responsiveness to emergencies
 - Responsiveness to unplanned service needs
 - Resolution of issues
- Account team:
 - Hours by key staff
 - Stability of key staff
 - Accountability
- Management of insurer services

Exhibit 18