

Workshop T8

Tuesday, October 30, 1:30–3:00 p.m. and 3:30–5:00 p.m.

TOP 10 WRAP-UP CONSIDERATIONS

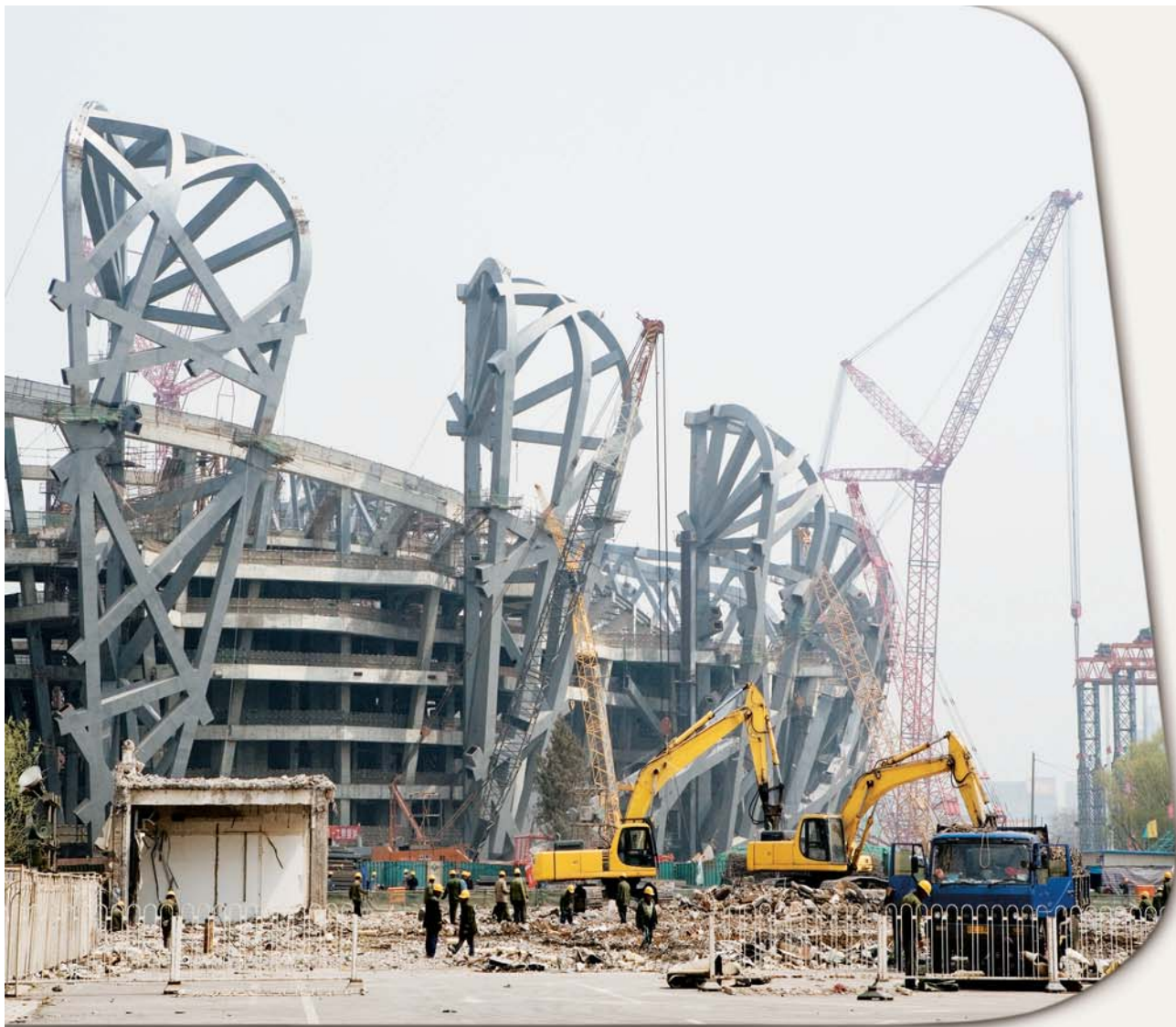
Presented by



Richard Resnick
Senior Vice President
Construction Practice
Willis of New York

Wrap-up insurance programs are a significant segment of construction insurance. While wrap-ups offer a number of advantages, including potential cost savings and consistent coverage across contractors, they also introduce some significant challenges. This workshop will help project owners and contractors considering a wrap-up avoid common mistakes or problems on wrap-up programs.

- Outlines 10 key elements of a successful wrap-up program.
- Provides strategies for implementing and administering a successful wrap-up.
- Identifies potential coverage gaps the wrap-up may create in contractors' insurance programs and how to fill these gaps.



The architect gets the glory.
The city gets the landmark.
The construction company gets to take on all the risk?

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Richard Resnick, ARM
Senior Vice President, Construction Practice
Willis of New York

Mr. Resnick is presenting Workshop T8, "Top 10 Wrap-Up Considerations," on Tuesday afternoon. For more than 34 years, Mr. Resnick has been associated with the insurance industry, earning a reputation for particular expertise in the design and development of wrap-up programs. He serves as an outstanding wrap-up resource for clients, providing extensive knowledge of cash flow programs, captives, and self-insurance plans as well as the traditional insurance transfer programs. He writes extensively on wrap-up matters and is a frequent panel member at IRMI conferences.

As Senior Vice President in Willis's New York Construction Practice, Mr. Resnick brings a strong understanding of complex wrap-up issues to his role as Regional Wrap-Up Practice Leader. Prior to joining Willis, he was responsible for the wrap-up division of Tanenbaum Harbor. He has also held a senior position in the wrap-up group for a major construction insurance broker and was a member of the New York wrap-up group for Johnson and Higgins. He has also served as a manager and officer of other national brokerage firms and has dealt extensively with the real estate development and contracting community as well as government agencies, including NYCHHA, DOT, MTA, DEP, NYCTA, and GSA.

A frequent lecturer on insurance and wrap-up issues, he has participated in panel discussions with CFMA and has been a seminar leader for the Design Build Institute in wrap-up panel discussions. In addition, he has served on the faculty of Hofstra University and is currently a faculty member of St. John's University in New York City.

Mr. Resnick has published numerous articles to date on wrap-up matters as a contributor to IRMI's Expert Commentary and participated as a speaker and topic leader at several IRMI conferences. Mr. Resnick has also participated as a technical adviser for IRMI's development of the fourth addition of The Wrap-Up Guide, which was published in 2006.

Mr. Resnick holds a B.A. in history/education from CW Post College, and he earned an MBA in finance from Pace University. He also holds the Associate in Risk Management (ARM) designation.

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.



Top 10 Wrap-Up Considerations

Presented by:
Richard Resnick, ARM
Senior Vice President
Willis
New York

Wrap-Up 101: The Keys to Success



- **Superior Insurance Marketing Services**
- **Efficient Administration**
- **Safety/Risk Management**
- **Manage Claims for Improved Financial Results**

Resnick's Top 10 Wrap-Up Considerations



- 1. Feasible or not feasible? (That is the question.)**
- 2. Are you really committed to safety? (Or are you just saying that?)**
- 3. Do you have an appetite for risk? (No, it's not dinner time yet.)**
- 4. OCIP or CCIP? (Now that's a question for the ages.)**
- 5. Do you have what it takes to hang in there for a few years? (Not a "Rudy" situation, but close.)**

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Resnick's Top 10 Wrap-Up Considerations, continued



- 6. Creation of a true partnership. (Can't we just all get along?)**
- 7. What motivates me to do a wrap-up? (I know it's only insurance.)**
- 8. Contractual provisions (not as exciting, but very important).**
- 9. Alternate adds or deducts (back up the excitement scale).**
- 10. Contractors concerns (what a finale).**

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#1 Feasible or Not Feasible



1. **Hard cost vs. Project cost**
2. **State limitations**
3. **Rating environment**
4. **Payroll estimates**
5. **State's legal environment**
6. **Other alternatives**
7. **Benchmarking**
8. **Experience of general contractor**

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#2 Commitment to Safety



- **Priority number one**
- **Commitment must come from the top**
- **Incentive plans**
- **Contractor prequalification**
- **Contract enforcement**
- **Contractor buy-in**
- **Safety orientations**
- **OSHA partnership**

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#3 Appetite for Risk



- **Not like the “good ol’ days”**
- **Underwriters risk vs. Sponsors risk**
- **Not for the faint of heart**
- **Per-occurrence protection**
- **Aggregate protection**
- **GMP for insurance**
- **Payroll fluctuations**
- **Change orders**

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#4 OCIP vs. CCIP



- **Perceptions vs. Realities**
- **Which do underwriters prefer?**
- **Whose project is it to control?**
- **Experience of general contractor**
- **Pricing issues**
- **Available limits**
- **What happens if I terminate the GC?**
- **My worries are over. Let someone else worry about the insurance.**

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#5 It's Not Over Till It's Over



- **Collateral issues**
- **Construction defect statutes impact**
- **Claims take time to develop**
- **Incurred but not reported**
- **Impact of LLCs**
- **Audits**
- **Closeouts**
- **When must contractors provide their own coverage?**

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#6 Creation of a True Partnership



- **Consider the “other guy”**
- **Nonadversarial**
- **Incentives**
- **Starts with the bidding process**
- **Buy in to safety**
- **“Our project” vs. “My project”**
- **Project labor agreements**

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#7 Motivation



- **Coverage**
- **Savings**
- **On Time**
- **On Budget**
- **Diversity**
- **Profit Center**

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#8 Contractual Provisions



- **Replace standard insurance requirements**
- **Safety requirements**
- **Manual as part of contract?**
- **Indemnifications**
- **Subcontractor obligations**
- **Flow-down effect—owner has no privity of contract with the subcontractors**

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#9 Alternate Adds vs. Deducts



Advantages

- Add Alternate**
- Simplifies bidding process
 - Less threatening to the contractor
 - Levels the playing field as respects impact of experience mods
 - Better able to authenticate “credit”

- Deducts**
- Can be used as a negotiating ploy during the bidding process
 - Deducts are real dollars back to the sponsor in the form of a credit

Disadvantages

- In the event wrap-up is not selected, contractors may be noncompetitive based on “gross” bid
- Takes away negotiating tactic from the “buy”
- Once the insurance number is in the bid it is difficult to get out
- A threat to contractor
- Deducts take additional time to negotiate (Dialing for Dollars)
- A high deduct could be due to a high experience modification

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10 Contractor’s Concerns



- **Coverage issues**
- **Administrative burden**
- **Off-site exposures**
- **Insurance “credits”**
- **Wrap-up exclusion**

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