

## **Workshop M4**

**Monday, October 27, 9:00 a.m.–noon and 1:30–4:30 p.m.**

### **BUILDING A BETTER WRAP-UP**

**Presented by**



**Richard Resnick, ARM, MBA**  
**National Program Manager/Regional Director, Wrap-Ups**  
**Construction Services Group,**  
**Aon Risk Services Northeast, Inc.**

Wrap-up insurance programs are a significant segment of construction insurance. While wrap-ups offer a number of advantages, including potential cost savings and consistency in coverage, they also pose some significant challenges. This workshop outlines strategies for improving the effectiveness of wrap-ups, from the design of coverages to defense of claims.

- Identifies potential coverage gaps in participating contractors' insurance programs and makes recommendations for filling these gaps.
- Provides suggestions for improving the way wrap-ups are administered and serviced.
- Offers insight into the complexities of defending multiple parties against claims and the benefits of a properly drafted joint defense agreement.

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**Richard Resnick, ARM, MBA**  
**National Program Manager/Regional Director, Wrap-Ups;**  
**Construction Services Group**  
**Aon Risk Services Northeast, Inc.**

Mr. Resnick is one of the presenters for Workshop M4, "Building a Better Wrap-Up," on Monday. For 35 years, he has been associated with the insurance industry, earning a reputation for particular expertise in the development, design, and servicing of wrap-up programs. He serves as an outstanding resource for clients, providing extensive knowledge of all types of controlled insurance programs. He also participated as a technical adviser for IRMI's development of the fourth edition of *The Wrap-Up Guide*, which was published in 2006.

Mr. Resnick is a National Program Manager and Regional Director of Wrap-Ups for Aon's Construction Services Group. His role is to provide oversight and leadership for Aon clients with large national wrap-up programs. Additionally, he lends his experience to assist in providing strategic direction for all of Aon's wrap-up clients across the country.

Prior to joining Aon, Mr. Resnick held the position of Regional Wrap-Up Practice Leader for The Willis Group. Previously, as Senior Vice President and Director of Tanenbaum Harber's wrap-up group, he brought a strong understanding of complex insurance construction issues to his responsibility for the management, development, and servicing of new wrap-up programs. Prior to that he held positions in the wrap-up divisions of The Allied Group and Johnson & Higgins. Over the years he has dealt extensively with the contracting and real estate community as well as government agencies, including NYCHHA, DOT, MTA, DEP, NYCTA, GSA and SCA.

A frequent lecturer, he has taught classes for The Nassau County Insurance Agents Association and the Pohn Institute Licensing Program. In addition, he has served on the faculty of Hofstra University and currently is a faculty member of St. John's University.

Mr. Resnick has also moderated roundtable discussions at several IRMI conferences and in 2007 served as a sole presenter for a session titled "Top Ten Wrap-Up Considerations." He has participated in a wrap-up panel discussion for the Washington, D.C., chapter of CFMA and has led seminar discussions on wrap-ups for The Design Build Institute and has been a guest speaker on wrap-ups at local CPCU chapters.

A graduate of CW Post College, Mr. Resnick earned an M.B.A. in finance from Pace University. He also holds the Associate in Risk Management (ARM) designation.

## **Notes**

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## **Building a Better Wrap-Up**

### **Part I: Design of Wrap-Up**

**Presented by:**

**Richard Resnick, ARM, MBA**

**Regional Director**

**Aon Construction Group Services**

**New York, NY**

### Wrap-Up Design Considerations

- Why or Why Not Consider a Wrap-Up?
- Multi Wrap or Rolling Wrap
- Program Design—Remember the Dollar of Insurance
- More on the “Appetite for Risk”
- Service Considerations
- The Safety Platform
- Gross Bids vs. Net Bids
- Coverage Issues
- Closeout Issues

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## Why or Why Not Consider a Wrap-Up?

- State of Wrap-Ups
- Feasibility Considerations
- Critical Mass
- Sponsors Motivation
- The OCIP vs. CCIP Dilemma
- GL Only??

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## State of Wrap-Ups 2008

In summary, what are the challenges?

- Underwriters need to be cognizant of the rating environment of the contracting community while still adhering to sound underwriting guidelines.
- Brokers need to be realistic in their assessment of wrap-up opportunities.
- Sponsors need to understand their motivation in procuring wrap-ups. It is not all about savings.
- Again, opportunities in 2008 are abundant. We just may need to navigate those bumps in the road a little more carefully.

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## Feasibility Tools

- Good Benchmarking
- Good Benchmarking
- Good Benchmarking
- Good Benchmarking

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## Sponsors Motivation

### Year 2000

Cost Savings

Control of Coverage

Control of Limits

Contract Certainty

### Year 2008

Control of Coverage

Control of Limits

Contract Certainty

Cost Savings

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## Multi Wrap-Up or Rolling Wrap-Up

- Why Are We Even Discussing this Point?
- What's in a Name
- Separate Aggregates Limits
- Individual Loss Containment Towers
- Commitment to Volume
- Minimum Penalties

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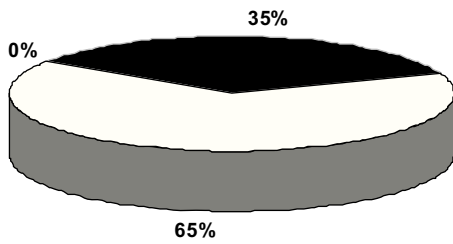
## Program Design—Remember the Dollar of Insurance

- What Makes Up the Dollar?
- Loss Sensitive vs. Guaranteed Cost
- Retrospective Plans
- Deductibles Plans
- Maximum Cost
- Savings Potential

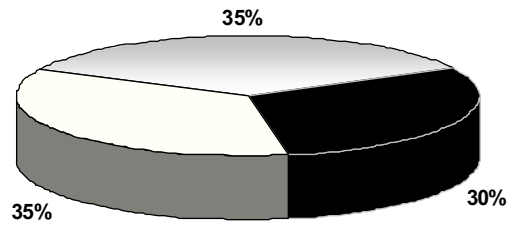
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# Savings Development

## Traditional Program

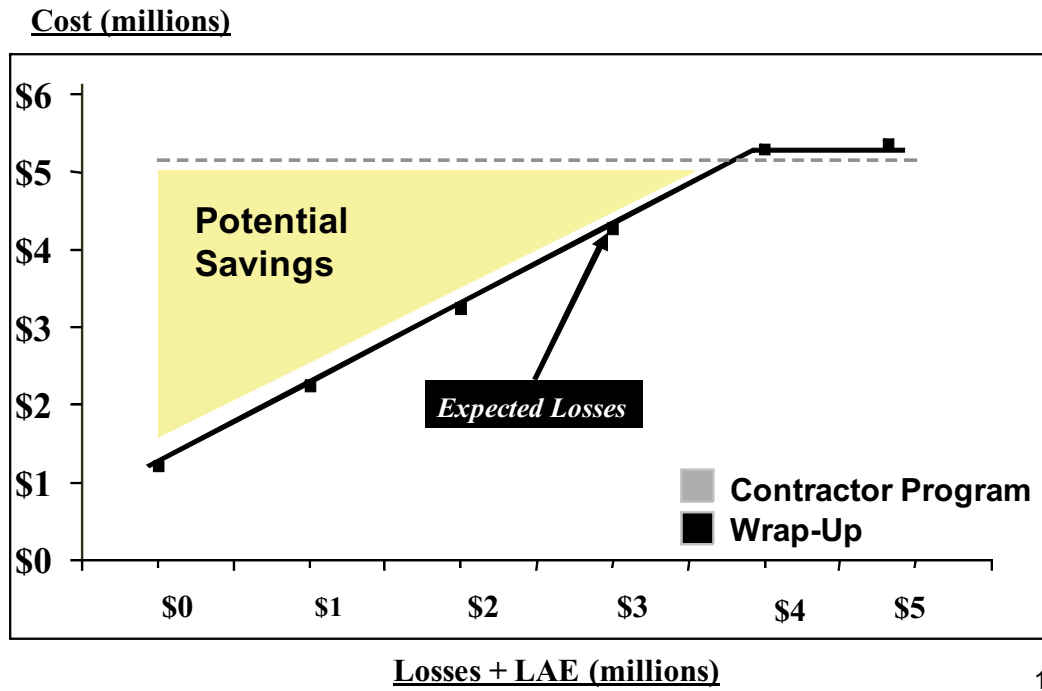


## Wrap-Up



-  Insurer Expenses
-  Loss & Adjusting Exp.
-  Savings

# Savings Development



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## More on the “Appetite for Risk”

- Do You Have What It Takes?
- Issue of Collateral
- High Deductible Tolerance
- The All-Important “Cap”

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## Collateral

While collateral has become an everyday reality of wrap-ups, there are still issues that need to be confronted and understood before embarking down this road. As the use of collateral has become so prevalent, clients, brokers, and underwriters are coming to grips with many facets of their use and limitations they present in certain scenarios.

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## Service Considerations

- Administrative—Full Time?
- Claims—TPA? Oversight? Full Time? Medical Trailer?
- Safety—Full-time vs. Over-Site?
- Jurisdictional Issues
- Closeout Period

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## Gross Bids vs. Net Bids

- What do we mean by gross vs. net?
- When is each preferable?
- When can something the same actually be different?
- Theory vs. Reality
- The insurance cost sheet: The Great Equalizer
- Instruction to bidders
- The “trickle-down” effect

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## Gross Bids vs. Net Bids

### Advantages

### Disadvantages

<b>Net Bids</b>	<ul style="list-style-type: none"><li>• Simplify bidding process</li><li>• Less threatening to the contractor</li><li>• Level the playing field as respects impact of experience mods</li><li>• Better able to authenticate “credit”</li></ul>	<ul style="list-style-type: none"><li>• In the event wrap-up is not selected, contractors may be noncompetitive based on “gross” bid</li><li>• Take away negotiating tactic from the “buy”</li></ul>
<b>Gross Bids</b>	<ul style="list-style-type: none"><li>• Can be used as a negotiating ploy during the bidding process</li><li>• Deducts are real dollars back to the sponsor in the form of a credit</li></ul>	<ul style="list-style-type: none"><li>• Once the insurance number is in the bid it is difficult to get out</li><li>• A threat to contractor</li><li>• Deducts take additional time to negotiate (Dialing for Dollars)</li><li>• A high deduct could be due to a high experience modification</li></ul>

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## The Safety Platform

- The Role Safety Plays in the Wrap-Up
- Early Dialogue
- Contractual Issues
- Is Too Much Safety a Good Thing?
- Incentive Programs
- OSHA Partnerships

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## Coverage Issues

- Construction Defects vs. Completed Ops
- Damage to Your Work
- Extended Completed Operations
- Warranty Work

***STAY TUNED***

***STAY TUNED***

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